

Time for Growth

Findings on an endowment challenge
programme for ten UK community
foundations 2001-2005

Evaluation Report

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Preface

Time for Growth has been an innovative programme which has added extensively to the learning of the community foundation movement in the UK. For the past three years, I have been privileged to be the evaluator of this programme. In writing this final report, I am aware of the considerable achievements of the ten foundations involved, and in documenting their progress I have seen major changes in the way they have worked. I am grateful to the Calouste Gulbenkian Foundation and all those in the foundations who have responded to my questionnaires and my interviews, as well as to the Independent Advisory Panel members who have also contributed to identifying the key questions and learning from *Time for Growth*.

I am particularly grateful to Clare Brooks at Community Foundation Network for her support and for the ongoing discussions we have had on the findings from the evaluation.

The words in this report may be those of the evaluator, but the achievements and the learning are those of the ten participating foundations. It has been a significant achievement.

As always, any errors of fact or interpretation are mine alone.

Christine Forrester

20 April 2005

Author's note

The names of the community foundations involved in *Time for Growth* are sometimes shortened to just their place names (e.g. "The Fermanagh Trust" is often referred to simply as "Fermanagh").

Community Foundation Network is sometimes referred to as the "Network" with a capital "N" or CFN. The use of the term "network" with a small "n" refers to members in the UK movement.

Directors and Chief Executive are terms used interchangeably in the report.

References to "Trustees" and "Boards" are used interchangeably and refer to the governing bodies of the organisations involved.

Foreword

by Margaret Hyde

Trustees of Esmée Fairbairn Foundation have been long time supporters of the growth and development of community foundations and recognise that they are significant and robust players in their localities. We have been particularly impressed by the depth of knowledge about their area of operation, skill in getting money to small and relatively informal groups and role as promoters of local philanthropy. However, we have also been aware that securing revenue funding to underpin core activities was challenging and that the initial period of growth and development could be lengthy and difficult. The increase in the size of the Foundation's endowment in 2000 and the additional grant funds which flowed from that provided us with an opportunity to support the community foundation network in an innovative and strategic way.

The requirement to raise £2 million in endowment over a three-year period was a tough challenge target, but the receipt of twenty community foundation applications for ten *Time for Growth* revenue grants of £100,000 each demonstrated there was an appetite for this. The result, with almost £20 million endowment funding raised by the ten grant recipients, is an excellent return on our investment.

This evaluation report provides hard-won learning on how to raise endowment funding and the useful messages it contains extend beyond community foundations to other fundraising charities. It amply demonstrates what can be achieved through committing dedicated time and resources to fund development. The Foundation is delighted to see the growth in vision, confidence and self-belief within the ten *Time for Growth* foundations. We congratulate them on their significant achievements and hope that, along with the learning on how to build endowments, these will inspire and encourage other foundations within the network and beyond.

Margaret Hyde

Director, Esmée Fairbairn Foundation

Foreword

by David Kenworthy

Time for Growth has been the bravest and most significant piece of work that I am aware of in the philanthropic sector while I have been Chair of Community Foundation Network. Its significance and bravery have their roots in the fact that Esmée Fairbairn Foundation was prepared to invest £1 million in the core fund development costs of ten community foundations.

Guided by an expert Independent Advisory Panel, we have been able to watch and learn about the strength of the community foundation model, the key success factors for different fund development strategies, the tensions and differences between fund development and fund raising and many other areas of community foundation performance. And this has been no theoretical programme – we have had some disappointments, but we have learned from them. Some of the successes have exacted a considerable price on staff who have worked long and hard to achieve results, and we have learned from this also.

But the results speak for themselves. £1 million invested and, if we include funds actually received in Spring 2005 as well as other anticipated funds, over £25 million of endowment achieved. This has transformed the positioning and contribution that many of the participating community foundations are now able to make to their communities.

But of even greater significance than the money is the fact that the good practice developed – forged in the heat of the fund development battle – is here to stay. There is no doubt in my mind that *Time for Growth* has taken us to a new level of performance. This report is a welcome record. It is a case study of how a brave and visionary grant can have significant impact. It is a testament to the hard work of many community foundation staff.

Thank you.

David Kenworthy QPM DL
Chair, Community Foundation Network

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The Independent Advisory Panel

Dorothy Reynolds, consultant on philanthropy (Chair of the panel)
Paul Curno, Calouste Gulbenkian Foundation (until 2004)
Anne Wolfe, PricewaterhouseCoopers
Joe Mc Kenna, Galway University
Sharon Shea, Esmée Fairbairn Foundation

The participating foundations and principal staff involved in *Time for Growth*:

County Durham Foundation (Gillian Stacey – Chief Executive)
Cumbria Community Foundation (Andrew Beeforth – Director)
Derbyshire Community Foundation (Hilary Gilbert – Chief Executive)
Essex Community Foundation (Laura Warren – Chief Executive)
The Fermanagh Trust (Lauri McCusker – Chief Executive)
Heart of England Community Foundation (Polly Dickinson, Alison McCall, Pamela Banks Gregory, Kate Mulkern – Directors; Jennie Bryce – Acting Chief Executive)
Hertfordshire Community Foundation (Tony Gilbert – Chief Executive)
Scottish Community Foundation (Alan Hobbett, Giles Ruck – Chief Executives)
South Yorkshire Community Foundation (Richard Clarke – Chief Executive)
Community Foundation for Wiltshire & Swindon (Anna Marsden, Ruth Jones – Chief Executives; Kate Hunter – Development Director)

Thanks also to the Chairs of participating community foundations.

Community Foundation Network

Members of the Board of Community Foundation Network, Gaynor Humphreys (Director), Marion Webster (Acting Chief Executive), Stephen Hammersley (Chief Executive), Clare Brooks (Director, Network Development)

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For support towards the travel and consulting costs of Dorothy Reynolds.

1. Introduction

This chapter explains the origins of *Time for Growth* and the basis of the evaluation report.

Time for Growth was an exciting challenge, set up in 2000 through a £1 million grant from Esmée Fairbairn Foundation to Community Foundation Network, the national association of UK community foundations. It was intended to enable ten community foundations in the UK to attempt to achieve a total of £20 million in new endowment investment over a three-year period. The ten community foundations in the programme were:

County Durham Foundation
Cumbria Community Foundation
Derbyshire Community Foundation
Essex Community Foundation
The Fermanagh Trust
Heart of England Community Foundation
Hertfordshire Community Foundation
Scottish Community Foundation
South Yorkshire Community Foundation
Community Foundation for Wiltshire and Swindon.

The ten foundations were selected through a competitive process, and each received up to £100,000 in core cost support over the three-year period.

Why *Time for Growth*?

Community foundations have long recognised that growth requires significant investment but until endowment has reached a certain critical point, income from endowment will not necessarily provide the funding required to support core costs. Unless these core costs are supported, the investment needed to significantly develop endowment cannot be undertaken. *Time for Growth* was intended to be just that – a time during which the pressures of seeking core costs to support investment for fund development would be lifted from the foundations. This would enable them to concentrate on endowment building, to secure that essential fund growth level that would set them on the path to long term sustainability and allow for further investment in future endowment growth.

Fund development

This report talks about fund development. For community foundations, there is a difference between the more traditional fundraising of charities and fund development activities, which are essential in building endowment funds. Fund development requires

a focus on the needs of donors, enabling them to build up their philanthropy through a community foundation, and the provision of services to meet those needs. It requires a long term strategic focus and the building of long term relationships with actual and potential donors to meet those needs. Whilst the community foundations involved in *Time for Growth* used fundraising techniques, which are discussed in this report, the key for *Time for Growth* has been the repositioning of all of the foundations in understanding the distinction between fund development and fundraising. The £20 million that has been raised in new endowment by the ten community foundations had demonstrated that responsiveness to donors' needs plus good quality services to them, equals fund development.

The evaluation report

This report, the final report of a three-year evaluation of the programme, aims to show what has happened over the three years of *Time for Growth* and also to identify some key learning from the programme. Whilst the achievement of the £20 million target was key, the foundations' progress towards this target provided a unique opportunity to look at how ten very different foundations could employ a range of techniques, which would be appropriate to their own circumstances, to reach their individual £2 million targets. The space provided by *Time for Growth* also allowed for some experimentation, to try out ideas which were new to an individual foundation and, thus, identify things which did not work. The consistency in the views of the foundations as to what is important for effective fund development is interesting, and this is the learning that is focused on in this report.

The report is structured to provide both an overview of achievement and also to identify the key learning, which it is hoped will be useful to other community foundations. It aims to reflect on progress over the three years of the programme and has drawn on evaluation work undertaken throughout the three years, as well as a final overview at its end. It is not intended to be a report on each individual foundation, so the points made reflect in the main the cumulative views, activities and successes of the ten foundations. Each foundation was asked for a case study, to focus on an aspect of their work which, over the three years of the evaluation, had been identified as a successful aspect of their work or one which highlighted useful learning. These case studies are included at relevant points in the main text and it is hoped that through them, the voice of the ten participating foundations comes through more effectively.

The learning from *Time for Growth* is throughout the report, not just concentrated in any one section, although Chapter 9 attempts to draw the key learning points together. The most significant lesson is that the process of endowment development is an ongoing process, responding to changes in the environment, seizing new opportunities and being constantly responsive to the needs of donors.

2. Executive summary

This chapter gives an overview of the findings of *Time for Growth*, and where they can be located in this report.

Background to *Time for Growth*

Time for Growth was the outcome of discussions between Community Foundation Network and Esmée Fairbairn Foundation, to provide a major grant of £1 million to the Network to be used over three years to support ten community foundations to achieve £2 million each in new endowment funds. The grants were awarded as a result of an Awards competition, in which 20 foundations took part (Chapter 3).

Use of *Time for Growth* funds

The funds awarded were used in a variety of different ways by the foundations, including investment in marketing materials, new IT systems to provide more effective donor support, employment of specific fund development staff and also in the employment of other staff to free up Chief Executives to concentrate on fund development. It is clear from the evaluation that dedicated fund development staff time is needed if significant endowment development is to be achieved.

The environment for *Time for Growth*

The ten community foundations successful in their bid for funds were broadly representative of UK community foundations in the middle years of their development. They cover both urban and rural areas, proximity to and distance from major cities, and both large and small population areas. It was critical for success that the foundations researched and understood their local operating environments and developed their strategies to respond to the potential donors within their localities. The importance or otherwise of connectedness to the local environment was an issue explored by the evaluation. The financial environment also had an impact on the challenge during the first two years due to the downturn in the stockmarket, leading to many potential donors viewing their assets as less substantial than previously and clearly leading to some reluctance to commit to philanthropic endowment. All of the foundations also noted that increased incentives for philanthropic giving through the UK tax system would make a difference to future endowment development. The current fiscal environment is not seen as sufficiently encouraging. There is also a range of cultural issues which impact on giving (Chapter 6).

Identifying weaknesses for change

At the outset of the challenge, some key weaknesses were identified in the ten foundations. These included marketing and PR, donor support systems, narrow donor

bases, lack of profile and consistent approaches with professional advisers, need for governance reform and greater engagement of Boards, and the need to find a way to balance the demands on the foundations of managing flow through funds with fund development (Chapter 7).

The achievement of *Time for Growth*

By the end of the challenge, all but three of the foundations had achieved their £2 million target and the total raised in new endowment to a common finish date of 31 December 2004 was nearly £19.5 million. This is a significant achievement and is a significant multiplier of the original investment by Esmée Fairbairn Foundation. This growth will have a long term sustainable impact for these foundations. Only one of the foundations noted in the evaluation that they are still some way from covering their core costs for the future and there is therefore a significant move away from dependency on external grants to cover core costs towards these costs being covered from self-generated income.

Where the new funds have come from

Twenty one percent of the new endowment has come from individuals, a figure that rises to over 34% if legacies are included. Legacies have been an important source of new endowment, rising from 1% in the first year to 41% in the last year of the challenge, and reflects work done with professional advisers, in building both the profile of community foundations and trust with advisers. Corporate donations accounted for only 11% of the overall endowment raised. Working with companies for endowment, rather than with individuals, has been seen as a less successful strategy. Repeat donations from previous donors were significant but were matched by donations from new donors. A number of the foundations were successful in achieving asset transfers, of both dormant and active charitable trusts. During the life of *Time for Growth*, an increasing focus by the foundations on more effective responsiveness to donors' needs led to a shift towards restricted endowment, rather than general endowment. Donor advised funds and themed funds are seen as important in developing new endowment. By the end of *Time for Growth*, 63% of new endowment was in named restricted funds, and overall restricted funds account for 84% of all the new money raised (Chapter 5).

Strategies and activities used in *Time for Growth*

A wide range of strategies and activities was employed by the foundations. These included using personal approaches through Board members and others with connections to the foundations to individuals and to companies, developing links with professional advisers, small and large events. In strategic terms, the foundations also undertook Board review and development, encouraged Trustee giving, mapped and profiled potential donors, reviewed services to donors, reviewed marketing strategies, reviewed staff and their development and, in one case, undertook a tightly scheduled challenge. As their work developed, each foundation found the mix of strategies and activities that were appropriate to their own local areas and environments. The most successful foundations had clearly understood both the organisational weaknesses that they had to work on and their local environments and how to reach out to key potential donors. Having a development plan and keeping it under constant review was a critical activity for both key staff and for the Boards (Chapter 6).

Changes that contributed to success

As well as the achievement of new endowment, there were other changes in the foundations, which were significant in contributing to the success of the challenge. These included an increased focus on marketing, achieving a balance between grant making and fund development, becoming donor services oriented, increasing professionalism and being seen as professionals in philanthropy, developing the Board and achieving greater Board connectivity to the fund development process. As a result a significant cultural shift is recognised by the foundations, which gives a new focus to their work and embeds a donor services culture within the foundations (Chapter 8).

Identifying drivers for change and growth

As part of the work of the final year of the evaluation, the foundations were asked to rank a number of drivers for change which had been identified from the previous two years. The top four factors for change and growth are seen as:

- change in the focus of the organisation towards fund development and donor orientation
- change in the engagement and commitment of the Board to fund development
- change in the culture of the organisation, towards an increased professionalism and understanding of what is required to build endowment
- change in the role, skill and confidence of staff in fund development.

As a result of the identification of these drivers, clear steps for growth have been identified (Chapter 7).

Key learning

The evaluation has identified a range of key learning from the experience of *Time for Growth*. It is clear that for successful endowment building, community foundations need to be strategic, need to engage their Boards in the process of fund development, review the ways in which they market themselves and communicate their message to key targets, to shift from fundraising to fund development and learn how to “make the ask”. All of these factors require a cultural shift to take place (Chapter 9).

Replicability and transferability

It is clear from the work undertaken by the ten community foundations that fund development know-how is transferable and replicable, and the ten foundations have clearly demonstrated this. Through learning events during *Time for Growth*, the foundations were able to share experiences and adapt their learning to their local circumstances. Although fund development is a challenging endeavour, these foundations have proved that it can be done, even when the external environment is not necessarily conducive to philanthropic giving. It is recognised that three years is a short time span in which to achieve £2 million in new endowment. Community foundations are about relationship development with potential donors and this process can and should take time. A real focus on the needs of the donor and a responsiveness to those needs pays dividends. Time, plus focus, plus attention equals results (Chapter 9).

The long term legacy

There is a long term legacy from *Time for Growth*. The multiplier effect of the initial £1 million investment has built substantial new funds, but in addition, it has built new funds for grant making which will flow through from the new endowment. It has therefore added more than endowment. It has also built the foundations from which these ten foundations will move towards sustainability of their core costs. Perhaps more importantly, it has built a body of good practice for the future, which will assist other foundations, both in reviewing their current practice and, for newer foundations, in laying the base for their development on sound guidelines provided by the work of these foundations. The ten foundations have added nearly £20 million to the accumulated assets of community foundations in the UK. Four of the ten foundations alone have future development plans to achieve over £45 million in endowment over the next six years. Community foundations make a real difference to the lives of people in their communities and are significant in national terms as developers of the concept of community based philanthropy (Chapter 10).

The wider applicability of *Time for Growth*

The learning from *Time for Growth* and the achievement of the challenge has been a UK wide achievement. However, its relevance is more than UK wide. If there is an interest in developing long term sustainable community based assets for social justice and community development, in all of their aspects, on the part of major institutional donors, *Time for Growth* provides a model which has been proven to work and succeed. The process of support for core costs, for ensuring that learning was shared, has universality. The foundations themselves feel that this was significantly more successful than a mere traditional challenge of offering a cash incentive on achievement of a certain money figure. This has often been difficult for foundations to achieve without being able to invest in the internal resources which can strategically lay the foundations for success – in other words support for the core work of the foundation. For a comparatively small investment, a significant amount of money was raised by each foundation which will have long term benefits both in terms of the sustainability of the foundations but also in terms of new money available for community benefit via grants programmes. It is a very efficient and effective investment of funds. It is an achievement that will make a real difference for the long term.

3.

Background to the *Time for Growth* programme

This chapter looks at the background to the programme, the reasons for the focus on endowment building, the processes involved in the allocation of the grants, and the ongoing monitoring and evaluation of the project.

Focus on philanthropy

As a grant maker, Esmée Fairbairn Foundation is innovative and interested in how its grants can be used to provide long term benefits to the voluntary and community sector, including support for core costs to community foundations. As a result of an increase in funds available to it, Esmée Fairbairn Foundation entered into discussions with Community Foundation Network in 2000, to look at ways in which philanthropy development could be strengthened in the UK through the growth of community foundations. One of the key areas for philanthropy development is how endowment funds can be successfully built and greater donor linkage to their communities can be achieved.

Why endowment building was the focus of the programme

Endowment building is a core role of community foundations and it is through endowment development that they make a long term difference in their communities. Community foundations are recognised as being at the forefront of the increased focus on philanthropy, in building endowment funds to benefit their local communities and in encouraging new and existing donors to think differently about how they can give to causes and issues that interest them. Community foundations have been able to provide a range of endowment opportunities, which are adjusted to their donors' needs and resources, from single named funds to pooled general and themed funds. Endowment links a donor to her/his community over the long term and provides an ongoing source of independent funds for grant making to meet the donor's wishes. In addition, community foundations are able to draw on a small percentage of the endowment income to meet their core costs in investment management, grant making and fund development.

Endowment development and the core costs dilemma

Community foundations constantly face a key dilemma, which is that until a particular stage of growth is reached in their endowments, they are not sustainable in terms of being able to cover their core costs from their own income, and to undertake grant making to benefit their communities from their own resources. They are at risk of being dependent on external grants for their core costs. To grow needs investment, but

where does the funding for growth come from? Until endowment has reached a certain critical point, income from endowment will not necessarily provide the funding to support fund development costs and unless these core costs are supported, the necessary work required to significantly develop endowment cannot be undertaken.

Community Foundation Network had already identified that years four to six are the most difficult for a developing foundation. As community foundations are now a tried and tested model in the UK, there has been funding available for the first three years of development in many cases. However, few foundations can reach sustainability at the end of three years. In common with much of the voluntary sector, one of the major problems is the short-term time horizon of most grant makers, particularly in connection with the type of complex development issues related to community foundations and to endowment building in particular. Funding is particularly needed to support fund development, particularly in the years after inception. However, the priorities of most grant funders are for service delivery projects or specifically meeting needs in disadvantaged or marginalised communities.

There are few funders who will see the need to invest in core staff for specific fund development activities, where the impact of such funding may not be seen by the ultimate beneficiaries (i.e. the communities that community foundations support with their grant giving programmes) for some time in the future. There is also a risk that many community foundations have needed to focus their work on flow through grant making activities, particularly from government funding streams, to provide income to support their core costs. Community foundations could therefore either remain on the treadmill of part-time staff, under-resourced, or find sources of core funding from management fees for large grant making contracts.

Discussions between Community Foundation Network and Esmée Fairbairn Foundation in 2000 recognised that whilst community foundations were achieving the status of effective grant makers of large funds from these major grant flows, at the same time this work can be a major distraction from the “hard slog” of building a long term independent income stream from endowment. It was identified that a major investment in community foundations could reinforce the message of the importance of securing independence of income flows, not tied to other agencies’ decisions, objectives and strategies. Esmée Fairbairn Foundation was willing to consider this investment, which would also be a reinforcement from one independent grant maker to other independent grant makers (the community foundations). The endorsement of the Foundation could also be useful to the successful foundations in their endowment building. The grant to Community Foundation Network was approved by the Esmée Fairbairn Trustees in September 2000.

Support for core costs

As a result of the discussions which recognised these issues, Esmée Fairbairn Foundation agreed to provide a £1 million grant to Community Foundation Network over three years, which would be awarded through a competitive process to ten community foundations in the UK. The awards, each of which was for £100,000, would be used to support the core costs of the foundations to assist endowment development. The challenge for these foundations would be to raise £2 million in new endowment over the three-year period, thereby providing a very significant return on the grant.

Using Community Foundation Network

Esmée Fairbairn Foundation chose to provide their funding for this project through Community Foundation Network, in recognition of the Network's knowledge of the field as well as its intermediary and facilitative role. Both Esmée Fairbairn Foundation and the Network wanted to build success and ensure that a successful investment was made of the £1 million. The £1 million grant was paid up front by Esmée Fairbairn Foundation and it was intended that income from the investment of this money would provide for the support costs of CFN in administering the programme and for training and peer learning activities.

A partnership approach to grant making

The grant to the Network also represents a partnership, between a major funder and an intermediary body, to achieve a common goal, which is recognised by both parties. This is an interesting dimension of “added value” grant making, where the funder recognises that the expertise of the on-granter will aid in both creating added value in a programme overall and in the support given to individual grant recipients. It parallels the role of community foundations themselves in seeking to provide services for donors by adding their expertise in grant making to the donor's philanthropy.

The awards process

The awards process was conducted through an Independent Advisory Panel, which made the selection of the ten community foundations, with administrative support from Community Foundation Network, from the 20 foundations that applied.

Each applying foundation was required to submit a development plan, and to demonstrate that the extra resource from *Time for Growth* was needed to achieve the plan. Whilst each foundation identified its own development direction and how it would use the core cost support, all were required to demonstrate:

- the commitment of their Boards to the fund development process, and that they were willing to undertake three years of a concentrated endowment building programme to maximise the effectiveness of the grant
- the commitment and flexibility of the foundation in engaging with and providing services to donors
- the identification of vehicles for endowment development and the ability to weigh up new opportunities against plans
- flexibility and an entrepreneurial approach.

Successful foundations would be required to have at least one paid member of staff whose main role was fund development. The applying foundations were also expected to demonstrate good standards in all aspects of their work – governance, management, marketing and communications and grant making.

To assist the application process, small bursaries of up to £500 were made available for foundations that felt they needed assistance, for instance in drawing up a business plan. A member of Community Foundation Network staff who was not involved in any other way in the process was made available to give resource advice and guidance to applicants. In addition, specific training was provided on donor research and how to write a fund development plan, as well as a list of consultants who would provide assistance. It was hoped that this process would ensure that even those applicants who were not successful would benefit from this developmental work and support.

The development process

Each of the selected foundations worked to a development plan, which had formed part of the criteria for the selection process. Some of the foundations chose to free their Directors from other tasks to enable them to concentrate on fund development; others chose to employ specific fund development support, to work closely with their Directors and Board.

Each foundation chose its own approach to development, as noted above. A wide range of activities was seen in each foundation, including investment in marketing tools and approaches, introduction of new IT systems and website development, improving donor services with better feedback to donors, linking prospective donors by showing them what has been achieved through grants. The most important development, however, was the development of relationships with existing and prospective donors and increasing the flexibility of the services available to them.

Monitoring the programme

Detailed monitoring of the progress of the foundations towards their financial target was carried out on a six-monthly basis, with both financial data and reports on key milestones being submitted. The Independent Advisory Panel also continued for the duration of the programme, providing monitoring and critical guidance to the ten chosen community foundations. The Independent Advisory Panel met annually for this purpose, and these meetings involved interviews with some or all of the foundations, to discuss in more detail their progress.

In addition, an independent evaluation was commissioned, funded by the Calouste Gulbenkian Foundation, which tracked the progress of the ten foundations throughout the whole three years. This process has enabled key learning to be identified as the programme has developed, which has been fed back to the ten foundations, and also more widely disseminated through the network of community foundations in the UK. The programme has therefore not only aimed to significantly increase endowed funding available within the UK, but has also contributed to the growth of learning about what makes for success in fund development.

4.

Target outcomes

This chapter identifies the key outcomes that were expected from the programme.

Growth in endowment

£20 million in new endowment was the key target for the programme. It was expected that each of the foundations would raise a minimum of £2 million in new endowment. The specific source from which this endowment could come was not specified. Pledges and future legacies would also be allowed to count against the endowment target.

The target for each foundation was thought to be realistic, based on the experience of other foundations within Community Foundation Network. It was also seen as a target which would provide sufficient returns from investment to shift the foundations towards some sustainability in relation to core costs, drawn from the fees that they would be able to derive from the endowments. It would also increase the amount of grants that the foundations would be able to give from their own resources in the future.

Other “hoped for” outcomes

As well as achieving the overall target of £20 million in new endowment in the ten foundations, other outcomes were discussed with Esmée Fairbairn Foundation for the first year’s evaluation of the programme. The outcomes that were identified as “hoped for” included:

- learning about philanthropy development and how to work with donors
- the development of organisational learning – how organisations learn and how learning can be shared around a network
- the development of more knowledge as to what community foundations are there for and how the community foundation model can be more successfully developed in the UK context
- the development of understanding of the role of Boards, and in identifying that Boards have to engage fully in their leadership role in organisational development (which can apply to a wider range of organisations than community foundations) and that there is a symbiotic relationship between Boards and Directors. Mixes of experience and skills between staff and Trustees may be critical in this process
- identifying that community foundations in the past may have been positioned as substantially “voluntary sector” organisations, whilst their main constituencies for fund development require the acquisition of the skills to communicate to business and to position themselves differently
- the key issues that make a difference in fund development towards endowments.

These issues provide a key focus in this report, as they have underpinned both the achievement of the target endowments by individual community foundations and also provided messages for the wider network of community foundations on directions for future development.

5.

Findings

This chapter highlights the success of endowment building towards the financial target, and looks at some of the trends in relation to new endowment over the three years of the programme. The key target for the programme was the development of £20 million in new endowment by the ten community foundations. Each foundation was expected to raise at least £2 million over the three-year period.

Totals for *Time for Growth*

Table 1 shows the totals for each year of *Time for Growth*, to 31 December 2004, allocated against giving from different sources. The total raised was £19,492,923 – which is 97.5% of the target. This comprises cash, pledges and legacies.

It should be noted that each foundation had a different start and finish date (and these have been used in calculating the column headed “To End” (see Table 2) and the additional column, to 31.12.04, shows the final sums that were raised, taking a common finishing point for the financial accounting for Time for Growth of the end of the calendar year.

The first column of Table 1 covers the first stage of the project, which was less than a year for all foundations – the percentage of the target raised in this period was 16.2%. In the next period, the percentage raised during the period increased to 21.2%; 32.7% of the target was then raised in the period to 31 March 2004. The final 29.8% was raised in the remaining period to 31 December 2004. These percentages have been calculated against the target figure of £20 million and not against the actual sum raised.

The totals raised cumulatively by each foundation are shown in **Table 2**. This table shows the endowment that each foundation had at the start of *Time for Growth* and the start date of the challenge for each foundation. Seven of the foundations achieved the individual target figure of £2 million. It should be noted that there were special circumstances (noted later in this report) in the case of Heart of England, who were allowed a six month suspension of their award due to changes in senior staffing which required a complete refocus of their activities. Their challenge completion date was revised to 31 May 2005.

Development of endowment over the time period

Chart 1 shows graphically the development of endowment by each foundation over the time period. There are no clear conclusions to draw from this analysis. It could be suggested that the foundations which got off to the quickest start could build their progress rapidly – but Essex, Scottish, South Yorkshire and Wiltshire and Swindon do

not bear out this assumption. As will be seen later in this report, time taken in the early stages of *Time for Growth* in developing the strategic positioning of the foundation, to ensure an appropriate focus on creating a donor oriented environment, paid off for these foundations in the achievement of rapid growth later, and the achievement of the target. Derbyshire is also an exception, as a specific Challenge, mounted by a donor, required the foundation to achieve £1 million in new endowment within 18 months to secure a matching £1 million. Hence for Derbyshire, the target was achieved in the second year of *Time for Growth*. Following the achievement of this target, a period of reflection by the Board and Chief Executive on the identified strengths and weaknesses of the foundation meant that further significant endowment was not sought in the period to the end of the *Time for Growth* programme.

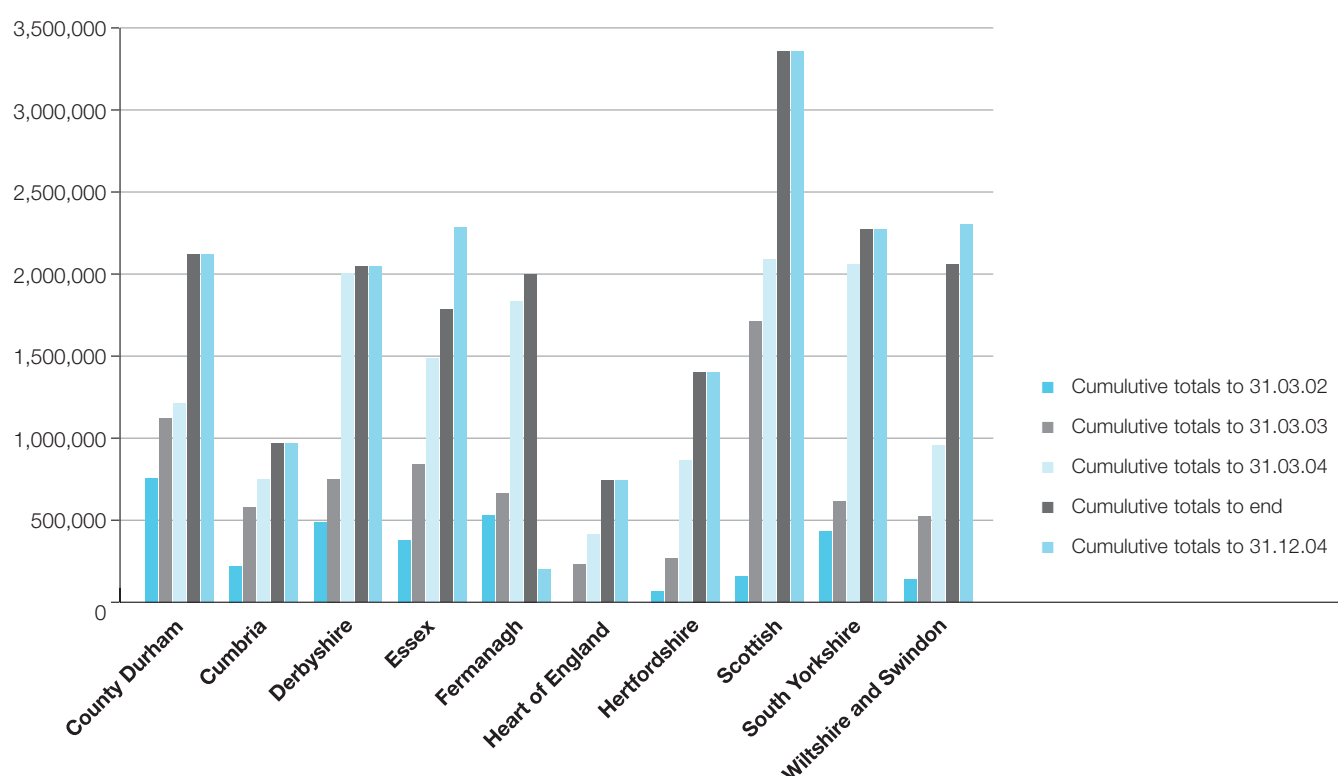
Table 1: Endowment totals

	Breakdown of overall totals per period						%
	To 31.03.02	To 31.03.03	To 31.3.04	To End	To 31.12.04	Total	
Individuals	458,580	1,352,691	609,795	1,504,926	91,119	4,017,111	21
Companies	586,267	467,103	610,267	433,012	73,075	2,169,723	11
Statutory	550,000	226,986	481,495	95,652	–	1,354,133	7
Charitable Trusts	992,893	768,255	1,666,475	331,251	280	3,759,154	19
Dormant Trusts	300,397	10,050	1,579,192	40,503	–	1,930,142	10
Other	56,284	760,445	511,327	55,859	28,154	1,412,069	7
Legacies	25,000	50,862	425,000	1,991,000	116,000	2,607,862	13
Pledges	194,692	499,880	486,490	312,229	749,438	2,242,729	12
Total	3,164,113	4,136,272	6,370,040	4,764,432	1,058,066	19,492,923	100

Table 2: Breakdown by Community Foundation

	Cumulative totals by date raised						
	Community Foundation Endowment at Start of Project	Project Start Date	Raised at 31.03.02	Raised at 31.03.03	Raised at 31.3.04	Raised at End	Raised at 31.12.04
County Durham	1,939,477	01.01.02	756,196	1,122,100	1,215,023	2,122,915	2,122,915
Cumbria	853,249	01.10.01	219,847	577,284	751,500	967,537	967,537
Derbyshire	792,420	01.01.02	485,638	752,431	2,003,213	2,045,707	2,045,707
Essex	3,942,780	01.10.01	378,370	839,934	1,486,606	1,783,389	2,283,389
Fermanagh	565,000	03.11.01	530,000	664,000	1,834,000	2,000,000	2,000,000
Heart of England	366,140	01.12.01	–	229,032	414,487	741,505	741,505
Hertfordshire	2,850,000	01.10.01	67,877	268,965	866,852	1,404,268	1,404,268
Scottish	322,537	01.01.02	159,770	1,711,770	2,087,770	3,355,204	3,355,204
South Yorkshire	919,763	01.10.01	427,397	611,375	2,055,375	2,270,375	2,270,375
Wiltshire and Swindon	1,875,224	01.10.02	139,017	523,494	955,599	2,058,535	2,302,023
	14,426,590	–	3,164,113	7,300,385	13,670,425	18,749,435	19,492,923

Chart 1: Totals raised by time period



Source of endowment over the time period

Community foundations' endowment can come from many sources, all of which were tapped to different degrees by the ten community foundations involved in *Time for Growth*.

Chart 2 shows the overall breakdown by source of the endowment raised. Analysis has been undertaken of the variability of the percentages raised from different defined sources over the whole period of *Time for Growth*, but these have not been included in this report. There is a significant percentage from individuals, at 21%, but rising to 34% if legacies are included (as legacies are given by individuals). This is three times the amount raised from corporate donations. Charitable trusts are significant at 19%, which, taken with dormant trust as 10%, means that nearly a third of new endowment has come from existing charitable sources. In part, though, this chart does not reflect the high percentage of funds from charitable trusts and dormant trusts which have accrued to only one or two foundations. Some points on these issues are also made further on in this report.

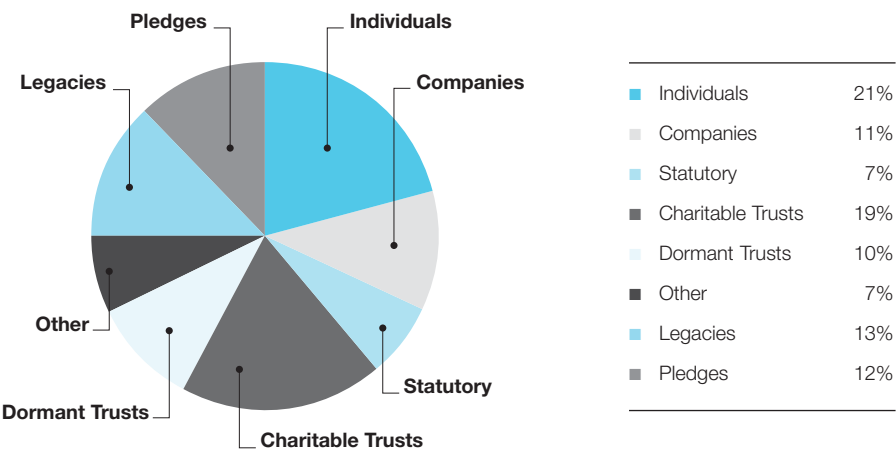
What they show, however, is that the percentages from different sources have varied greatly over the time period, with, for instance, the percentage raised from individuals cumulatively varying from 14% in the period to 31 March 2002, 33% in the period to 31 March 2003 to 10% in the period to 31 March 2004. Less significant swings are seen in company donations, ranging from 19% in the period to 31 March 2002, through 11% in the period to 31 March 2003 to 10% in the period to 31 March 2004, to 11% by the cumulated end of the challenges for the foundations.

The work done for the evaluation with the community foundations indicates that it is not necessarily predictable what specific commitment donor prospects will finally make to the foundation within any given period. However, what is significant is the substantial growth of the percentage from legacies – from 1% to 41% in the last period of the challenge – this could be accounted for by work with professional advisers starting to pay dividends, building both trust with advisers to recommend foundations for legacy giving and also a clearer profile for the foundations in relation to how they can be a valuable vehicle for legacy giving.

Throughout the evaluation, issues relating to securing corporate donations have been raised. The overall percentage of donations from companies was 11%. During the course of the evaluation, a number of reasons have been given by community foundations for the challenges in achieving company donations, including the difficulties of reaching effectively into public limited companies, where local offices have only limited funds for charitable disbursement, and because the headquarters of these companies are not in the main located in the areas of the ten foundations. Intensive work has been undertaken on company giving, including links with local Chambers of Commerce, and in developing strategies which focus on local small and medium sized enterprises and on family owned businesses.

Giving by individuals shows the highest percentage over the whole period, at 21%. As legacy giving is also by individuals, 34% of the overall total of endowment has been by and through individuals.

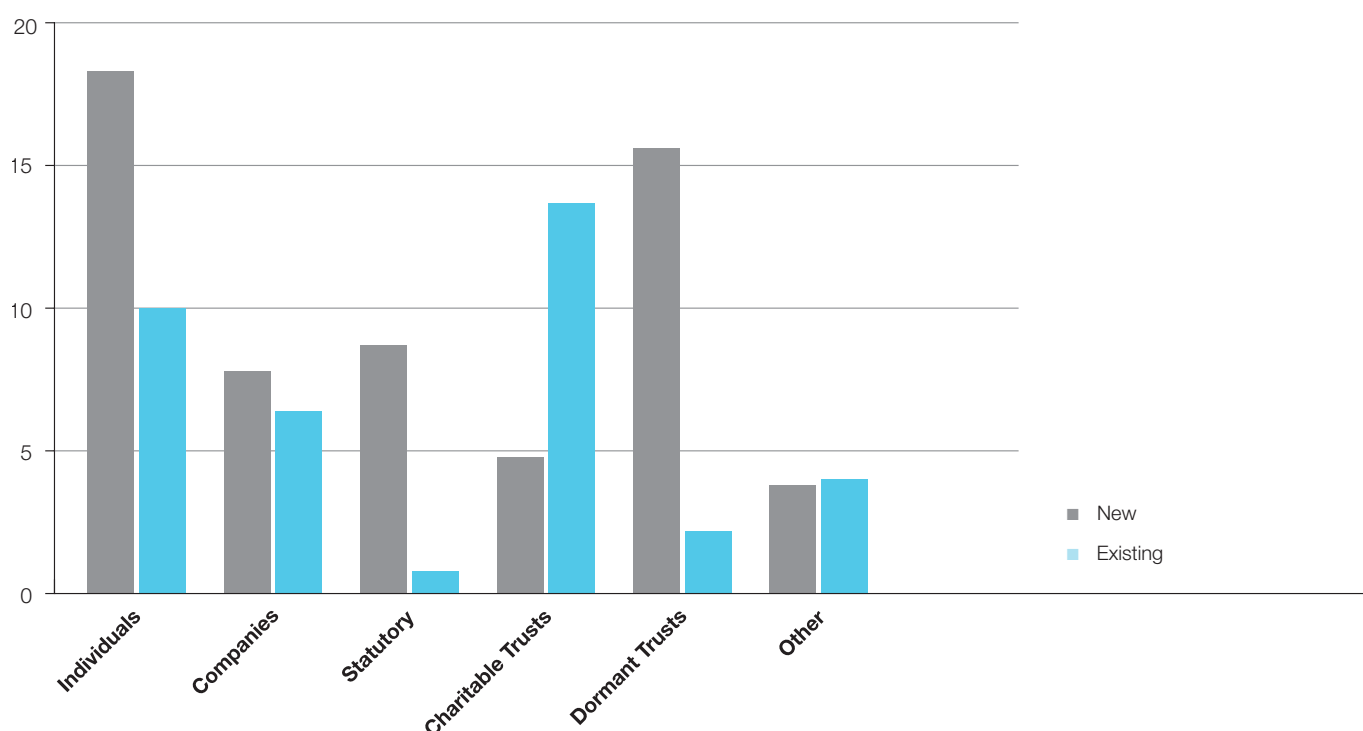
Chart 2: Overall endowment by source



New versus existing donor sources

Chart 3A shows new versus existing donors. The highest new source is individuals. However, dormant trusts also register highly which particularly reflects South Yorkshire's work in bringing back into effective use major sources of funds, which have not been used for community benefit in the recent period. Dormant trusts have accounted for 75% of South Yorkshire's achievement of the challenge.

Chart 3A: New versus existing donor sources as a percentage of cash received



Repeat donations from both companies and individuals have been relatively significant, but are matched by donations from new donors. This is likely to reflect the strategies of the foundations involved in *Time for Growth*, with relationships already developed with existing donors and it is likely also to reflect the time that it takes to develop the relationship with new potential donors. Some of the case studies in this report reflect the time donor relationship building takes.

The new statutory funds are mainly accounted for by Derbyshire and Fermanagh, who report 34% of their total new endowment from this source in Derbyshire and 23% in Fermanagh.

One of the key issues of interest to the Independent Advisory Panel during their monitoring of *Time for Growth* was how far foundations were achieving a wider donor base during *Time for Growth*. It has been difficult to map this in detail. It is clear from the evaluation that the foundations have built into their strategies the widening of their donor bases, but this is not in the main reflected in the financial data. For some foundations, the wish to achieve the challenge may have meant targeting specific sources of funds, such as South Yorkshire and the dormant trusts; for others, such as Derbyshire, a further major investment from a statutory supporter enabled their specific Challenge to be met. All of the foundations are aware of their need to achieve a wide donor base – most have laid the foundations for this work to continue.

Looking at the individual foundations

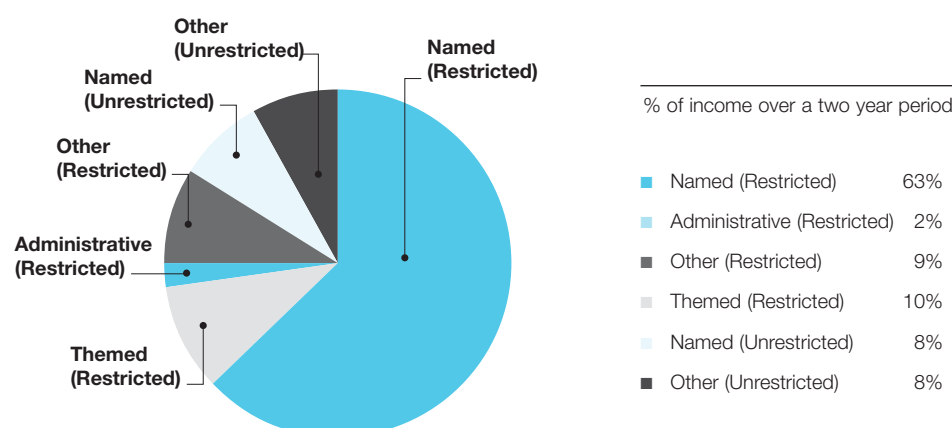
Charts for individual foundations have not been included in this report. However, an analysis of their achievements show that:

- Scottish had the highest percentage of donations from individuals, at 56% of their *Time for Growth* endowment; however, if legacies are taken into account (which come from individuals) Cumbria, with 50% of individual donors, rises to 62%. The average percentage from individuals is 20% – Scottish and Cumbria are well above the average, and only two other foundations are close to the average: County Durham with 17%, and Essex with 20%.
- Cumbria has the lowest percentage of donations from companies, which reflects the fact that the area has a low commercial and industrial base. However, Fermanagh, a highly rural area, took 46% of its new endowment from companies. A large part of this was a significant company donation as a result of a tragedy. Heart of England had the second highest percentage, at 28.8%. The average percentage from companies is 15.5% – seven of the community foundations have percentages lower than the average and only three above – Fermanagh, Heart of England and County Durham at 18%.
- Hertfordshire and Wiltshire and Swindon have high percentages of new endowment through legacies – 54% in the case of Hertfordshire and 51% in the case of Wiltshire and Swindon. This percentage for Wiltshire and Swindon is significantly increased, in fact, by a doubling in the size of an expected legacy, which was received after the end of their *Time for Growth* period. An expected legacy of £1 million became £2 million, as in addition to the specific bequest, they have also benefited from an additional £1 million as the residual legatee of this will. Only seven of the foundations show any new endowment from legacies – Derbyshire (primarily because of the nature of their Challenge fund), Heart of England and Scottish have no legacies in their new endowment for *Time for Growth*. As noted further on in this report, Scottish specifically noted that they have done no work during *Time for Growth* on legacies.
- Four foundations reported no endowment from statutory sources. Of those showing endowment from this source, only two had a significant percentage – Derbyshire at 34% and Fermanagh at 23%. In Derbyshire's case, this was mainly funding through the Regional Development Agency (RDA), which enabled them to achieve their challenge. This funding was a fortunate by-product of a decision by the RDA to invest an equal amount in all five of the East Midlands community foundations on a one-to-one challenge basis, with a deadline of the end of 2005. Derbyshire's success in achieving their challenge so rapidly meant that they matched their funds ahead of the other East Midlands foundations. The RDA was, however, aware that their challenge contribution would enable Derbyshire to complete their own challenge – a very good example of leverage achieved through the strategic use of funds from a statutory source.
- Six of the foundations (Cumbria, Essex, Heart of England, Hertfordshire, South Yorkshire and Wiltshire and Swindon) reported pledges in their final financial statements – the other four did not. Of the six, Essex had 52% of their final endowment achievement in pledges, and Heart of England has 32.3%. Of the

others, Hertfordshire had 11% and Wiltshire and Swindon 10%. South Yorkshire was at 5% and Cumbria at 2%. Pledges are a key tool for community foundations, as they secure a commitment from a donor who may not at a specific time be able to pass finances over to the foundation, but who can see themselves as being able to do so at a defined future time. This may be a particularly useful device where, for instance, a business or property is being sold and the foundation will benefit once a sale has been completed.

- South Yorkshire achieved 75% of its new endowment growth from dormant trust takeovers. This was the highest percentage achieved from this source by any of the ten foundations. Only two other foundations raised endowment by this means – Hertfordshire with 3% coming from this source and Wiltshire and Swindon with 7%. As will be noted below, bringing dormant trusts back into activity can be seen as relevant endowment development for foundations.

Chart 3B: Restricted versus unrestricted endowment



Restricted and unrestricted endowment

Chart 3B shows the breakdown between restricted and unrestricted endowment. Responding to donors' needs has raised the issue of general, compared to specific or restricted, endowment. General endowment can be used for any charitable purpose that the foundation itself identifies; restricted endowment includes those funds which have a range of restrictions placed on them by the donor. This may range from significant involvement in determining the beneficiaries of grants from their funds, to themed funds, which can only be applied to specifically defined purposes, such as education, arts or sports, or to a particular geographical location.

A number of the community foundations noted in year two of the evaluation that to provide a better response to donor needs, they had shifted to encouraging donor advised funds, as compared to asking for general endowment monies. By that stage, with the exception of two foundations, restricted endowment funds were comprising 50% and upwards of new funds raised. In the final year evaluation, promoting themed and donor advised funds scored more highly in the Activities Table than promoting unrestricted gifts. By the end of *Time for Growth*, 63% of new endowment was in named (restricted) funds, and overall, restricted funds account for 84% of the new funds raised.

It was noted by the foundations during the final year evaluation that themed funds can be useful to draw people into donating through a foundation, and they are seen as a useful tool in counties where local identification with the area may be more difficult to achieve. Ten percent of the overall endowment totals were drawn into themed funds. It is worth noting that a number of foundations only started themed funds during *Time for Growth*, and it is likely that these will increase in importance in the future.

Reaching out to individuals of high net worth for major gifts to achieve the target over a relatively short period may also have had an impact on the balance between restricted and unrestricted funds. As one of the foundations noted: “(Unrestricted funds) may be what we most want, though often donors have their own ideas, so larger sums tend to be named funds, with specific remit”. Meeting donor needs and requirements in this way has clearly been important for new endowment in these foundations. This does raise some key issues for the future of community foundations and may mark a significant shift in relation to fund development learning – that appeals for unrestricted endowment may be less successful, and that a focus on responding to the donor’s wishes and meeting their needs by offering a wider choice of endowment options, is the direction for the future. The growth of restricted funds will also have implications for community foundations’ fee structures.

Developing “new” philanthropy versus fund transfers

An issue that was raised by the Independent Advisory Panel during *Time for Growth* was whether the transfer of existing funds to community foundations could be seen as adding to philanthropy, or merely transferring assets from one charitable source to another. A similar issue was raised about funds from statutory sources. Statutory funds, which might be available only for the short to medium term, by being shifted into the endowment of a community foundation, can be seen as a “new” source of ongoing support for charitable and community activities which might not otherwise be available for the future. This was particularly the case with the money achieved by Derbyshire from the Regional Development Agency, where it was capital underspend money which would otherwise have been “clawed back” and thereby have no further availability for future voluntary and community sector support.

Similarly, dormant trusts, which will not be achieving their potential, can be used more effectively when taken over and distributed through a community foundation. Thus whilst these sources of endowment may not be “new” philanthropy, their transfer to community foundations’ assets can be considered as providing an enhancement of the asset, by allowing for long term growth and sustainability of funding which would previously have been short term or ineffectively used.

Assessing the financial performance in *Time for Growth* against performance elsewhere in the network

A benchmarking report was produced for Community Foundation Network in May 2004¹ by Keith Smith of Compass Partnership which sought to analyse the performance of six community foundations with track records in fund development. This report can provide a crude comparator for the *Time for Growth* success. All but one of the *Time for Growth* foundations achieved in three years an endowment growth which is significantly larger than the median for the foundations which were used as the base in this report. The median endowment per year of *Time for Growth* was £694,770 compared to the median in the benchmarking (per year of establishment of the foundations) of £288,236 endowment achievement, compared to the benchmarked

foundations development. However, as the footnote shows, this comparative information needs to be used with caution. It does however suggest that the Esmée Fairbairn grant was very significant in increasing the endowment achievement at this particular stage in the development of these foundations.

In addition, Community Foundation Network tracks on an annual basis the performance of all community foundations in the network, including endowment levels. It is interesting to note the variance in performance with the ten community foundations that applied for *Time for Growth*, but were not selected.

For these foundations, CFN has only recorded the year-end endowment totals, and these figures show a cumulated growth of £1,300,000 in endowment over the *Time for Growth* period. Although not directly comparable, this contrasts strongly with the £19,500,000 of growth of the *Time for Growth* participants. Moreover, the year-end totals for *Time for Growth* participants (that exclude pledges) are well on the way to showing similar levels of strong performance.

What this indicates is that the investment in *Time for Growth* has really yielded significant returns. A key caveat on the use of this data is that the ten *Time for Growth* foundations were selected for their commitment to the concept of *Time for Growth* and were assessed as having the potential to achieve the expected gains in endowment. Even the three foundations that did not achieve the £2 million target are showing greater percentage gains in their endowment than those not selected. It should also be noted that all of the foundations were affected by similar external factors, such as the stock market downturn, over this period.

Other financial achievements

There were other financial achievements for the community foundations, as well as the endowment growth. Of particular note was Hertfordshire's success in securing the grants management of a new fund which will total £3.5 million. This money comes from a contact of the foundation, where a relationship had been built. There had been the possibility that this donor would set up a specific fund within the community foundation – in the event, he decided to establish a separate charitable trust. There is always the possibility that at some future stage, this fund could be consolidated under the community foundation. However, what is significant is that through *Time for Growth*, a new donor has been encouraged to set up a fund for the benefit of the community.

¹ The source of endowment funds in the benchmarking report differs in many respects from the *Time for Growth* community foundations not least because the foundations tracked for the benchmarking report were not focused on endowment building at all times. The benchmarking report also reflects the early stages of community foundation development in the UK.

The mean for the benchmarked foundations for endowment from individuals and families is 61%, compared to 21% for *Time for Growth* (though as noted, this percentage is higher at 34% if legacies, which were not separately included in the benchmarking report, are included). The percentage range for *Time for Growth* foundations is from 2% to 56%. The highest is therefore still below the mean for the benchmarked foundations. The benchmark mean for companies is 15%, compared to 11% overall from *Time for Growth*. The range was from 2% to 46%, which compares favourably with that of the benchmarked foundations, where the range was from 0% to 36%. Only 7% of benchmark foundations' endowment was from charitable trusts, compared to 29% (including dormant trust funds) for *Time for Growth* foundations. As noted at other points in this report, the time pressures to complete the challenge have meant that some foundations have looked for "quick gains", and this has to some extent skewed the sources from which new endowment has been achieved. However, as was noted above, all of the foundations are aware of the need to achieve diversity in their donor base and all have strategies in place to continue to develop new endowment from the widest range of sources.

Conclusions

Time for Growth has clearly enabled these ten foundations to develop different approaches to different segments of their communities for endowment development. The undoubted success of their achievements should persuade other foundations to learn from their techniques. The following chapters demonstrate the techniques that were used and how change to achieve this endowment was undertaken by the community foundations.

6.

Main factors and strategies in developing new endowments

This chapter highlights some of the factors which were identified through the work of the ten community foundations as having contributed to the success of their fund development. Whilst the quantifiable achievement of the targets by each of the foundations is important, it is also clear from the evaluation work that these achievements are the result of changes in the ways in which the foundations operate and represent a shift in organisational development. The shifts demonstrate the achievement of the other outcomes that Esmée Fairbairn Foundation hoped to see from this programme.

The positioning of these foundations for future fund development beyond the life of *Time for Growth* is a key outcome for all of the foundations. The changes include an increased emphasis on donor services, on developing a wider range of products to offer to donors, an increased understanding of marketing, a firmer focus on strategy development, and above all, increased connectedness to and understanding of fund development processes on the part of the Boards of the foundations. These issues will be discussed in more detail below. The sustainability of these changes are likely to be more significant for the future sustainability of fund development than just the achievement of funds to build the *Time for Growth* target.

6.1 The operating environment

How important is the local environment in determining success in endowment building?

The environment itself is less important in determining success in endowment building, than how well the community foundation understands and responds to its local environment, and the differences between localities and parts of their operating areas and therefore the different strategies that will be needed to provide an effective

message for their disparate communities. In many cases, “whole county” messages will not work. There is a critical need to understand the local donor environment as well as the needs environment.

The ten foundations involved in the programme cover a range of different environments:

- one covers a whole country (Scottish, for Scotland) and therefore includes major conurbations and very rural areas
- two identify a major commuting population into London (Hertfordshire and Essex) and one (Wiltshire and Swindon) a significant proportion of commuters into London
- three are located in areas which have seen significant industrial decline in old industries (County Durham, Derbyshire, South Yorkshire)
- two are extremely rural (Cumbria and Fermanagh)
- excepting these two and Scottish, all but one of the other foundations identifies rural areas in which there is hidden rural deprivation (County Durham, Derbyshire, Essex, Hertfordshire, Heart of England, Wiltshire and Swindon)
- only one is primarily operating in an urban environment (South Yorkshire).

What is their view as to how their local environments influenced their opportunities? Most regarded their local environments as important and see developing an understanding of the specific local environment as critical. The need to research the local economy effectively was seen as important, particularly to identify the buoyant sectors of the local economy (both in terms of the business sector and geographically). Reaching owner run businesses and small and medium sized enterprises has now become the target of some of the foundations. Strategically, this required the positioning of the foundations to provide appropriate messages and products for varied audiences. Some of the foundations found that reaching key large companies in their areas was not profitable, where these companies are parts of major national corporations with head offices located out of the foundation's area of operation and where corporate donations are made through these head offices and not locally. However, for other foundations, public limited companies provided valuable openings. For some foundations, research into the local business environment and failures to secure significant interest led to a strategic switch to targeting wealthy individuals. Additionally, some of the foundations have pursued “exit funds” from companies that are closing. It is clear, however, that developing donor intelligence is very important.

The nature of the local economy (rural versus urban) could have been expected to play a part in the types of donors achieved. However, in looking at the two most rural areas (Fermanagh and Cumbria) it is interesting that their experiences are very different, with Cumbria taking 50% of its new endowment from individuals and only 2% from companies and Fermanagh taking only 9% from individuals and 46% from companies.

Connecting to the community

How important, too, is the connectedness of community foundations to their local area? As a factor for growth, changes in the sense of connection to the community was ranked 12th place out of 12 factors for significance, and 11th in importance. However, all of the foundations have found that there is a need to focus on localism – not the whole area of the foundation, but the locality with which people identify. It is seen as difficult in some counties to present the county as being as one community as there are specific and different localities within a county (for instance market towns,

Donor Intelligence: The South Yorkshire Community Foundation Experience

Richard Clarke, Chief Executive

I worked as a fundraiser in the USA for fifteen years (representing universities and international organisations). Certain aspects of fundraising that I experienced Stateside do not translate in the UK. Central tenets of the British culture include grace and avoidance of embarrassment. Bragging is considered taboo, so British contributors are far more interested in anonymity. Also, in the States people seemed quite happy to invite their contacts to their own home for an introduction to the work of the charity. In the UK, however, I found a significant reticence on behalf of our Trustees to do so. As such, we invented opportunities for introductions: barge parties, horse race box days, dozens of lunches at Whirlowbrook Hall, Prestige Dinners, etc.

Prospect brainstorming sessions with Trustees present were very

useful in the States. In my experience, however, local people shrink from publicly discussing their contacts. This is particularly true with the old-moneyed Trustees (as they would be discussing relations). They are far more open about their respective contacts if they are interviewed on an individual basis.

As part of the development of our prospect pyramid, we interviewed all current/former Trustees, current/former Presidents and current/former employees. We identified particular prospects, estimated their wealth (using Rich List and other sources), mapped relationships and planned contacts. We considered the most viable prospects to be those with particular involvement with SYCF or a close link to our leadership (relative, long-time friend, business colleague, etc). We quickly sorted the table around the volunteers

with the best prospects. The full prospect table included about 200 prospects of which a few dozen were identified as priorities. The table was plastic and continually reorganised as we recruited new Trustees.

A significant contrast in relation to fundraising Stateside is that our income has overwhelmingly been from company or trust coffers, rather than individual contributions. I understand that such was also the experience at the Derbyshire Community Foundation. As we analyse the contributors to date, we realise that our most viable prospects have been:

- proprietor owned, locally-based businesses
- large local employers (even if national companies)
- local trusts (in relation to mergers)
- Trustees.

Connecting with the Community: The Success of the Fermanagh Trust

Lauri McCusker, Chief Executive

Question: Can you raise £2 million pounds over a three-year period when you have a relatively small population totalling less than 60,000 people in a rural part of Northern Ireland?

Answer: Yes, with a great deal of difficulty, a lot of determination and sadly as a result of a tragic accident. Fermanagh is a small community in terms of its population, which is spread over a large geographical area. Like many parts of Northern Ireland, religious backgrounds and affiliations are an important backdrop to individuals' lives. Fermanagh and its people have suffered throughout the troubles, a period which has a huge impact on people's lives across the County. Very importantly this period has impacted upon a range of feelings and issues such as fear, suspicion and trust, people's sense of place and the ever important theme of community.

It is most important to put the Trust's work in this context as every decision which the Trust makes and has taken over the past three years involves working

in what is defined by many as a divided society. The Trustees believe this background is key to our work in the past and in the future.

'Small is beautiful' is a popular phrase in these parts and we firmly agree with the sentiments of this phrase. Tie this in with the importance of "connectivity", and the benefits of having a track record of many hundreds of positive interventions with individuals and organisations in Fermanagh over the last ten years and one can start to see how we 'punch above our weight'.

This connectedness, this strong track record, has made, and continues to make, a great deal possible. This combined with the strong sense of place which exists in communities and Counties through Northern Ireland and the Republic of Ireland makes the community foundation model very relevant to people lives.

Raising endowment has been difficult. The legacies resulting from local tragedies have been significant, but most importantly,

the donors clearly felt the Fermanagh Trust was an appropriate organisation in which to set up restricted funds.

Other donations have been greatly received in many instances as a result of the confidence that the local community, in particular parts of the County, has in the Fermanagh Trust.

The decision by the Trustees to view *Time for Growth* in terms of our long term sustainability was also critical. This has resulted in major donations of both land and capital, which will be utilised in a significant capital project, helping to generate long term finance to support the Trust's work.

Reviewing the last three years our immediate thought is we should have done this differently, and maybe if we did this...? But isn't that life! I will end on this note: a lot has been achieved and there's a lot more to do. Thanks to the Independent Advisory Panel and Esmée Fairbairn for trusting Fermanagh!

rural hinterlands, defined suburban areas, county border communities which see their focus as being in another county and so on) and as a result there is a need therefore for community foundations to understand their local human geography and position themselves appropriately in and for each different community. It has also been important to learn very quickly whether a potential donor has a very local or a broader vision and focus and to adapt the message accordingly. A focus on local fund development, particularly geographic funds, has paid some dividends for foundations which have adopted this strategy. Mobile and commuting populations in some areas, though, make it harder for people to connect with a localism agenda. Themed funds can also help potential donors make a link with their locality through issues which interest them, rather than through a more nebulous appeal for general funds to meet needs in a locality or community which the potential donor may not relate to initially. The shift in culture within the foundations towards an increased focus on donor services and how donors' needs and wishes can be met through the foundation has started to overcome this issue, however.

Competition with other local appeals

Another local environmental issue that has had an effect on the success of fund development has been competition with other fundraising and development appeals. Most of the *Time for Growth* community foundations had been affected in some way by this issue.

There are two specific areas to this – firstly, that major appeals set up within an area are likely to be seeking donations from the same target group as the community foundation will be looking to for endowment. Being able to make a smaller donation to a local “worthy cause” (particularly capital appeals) may lead to donors being less receptive to the community foundation message. The other type of competition is connected with community foundations being seen as just one charity amongst many, particularly in relation to legacies. Again, the unique selling point of community foundations needs to be communicated at a national as well as a local level, to challenge the assumptions which are made about foundations being just another charity “with a begging bowl” and to raise the understanding of community foundations as a means to an end, rather than an end in themselves. As those who have been affected by competition from other local appeals note, it is important to re-strategise and look at the targeting of efforts, rather than running any general appeals for the general purposes of the foundation.

Size of population

Is the size of the population and therefore the pool of potential donors a key factor in success? Although access to a wider population pool can obviously increase the potential range of donors, even areas with small local populations can achieve significant endowment growth, as the County Fermanagh experience demonstrates. Their success is attributable to knowing their local community well and being able to make tailored and appropriate responses to specific local issues and needs.

How critical is the financial environment for fund development?

During the first and second years of *Time for Growth*, the downturn in the stock market created a more volatile environment, particularly in relation to the perceptions of donors as to the value of endowment building during this period and also in their ability to identify within their own resources funds which could be donated to and through community foundations. All the foundations reported this as an issue, and it

was particularly raised by Board members who had been in the past substantial donors. As one foundation noted at that point *“people feel poorer, even if the reality is that they are still rich”*. Whilst increased business optimism and the recovery of the stock market has helped, it is clear that the general economic environment will have an impact on how donors perceive the value of giving through a community foundation and also on their feelings about their ability to give, particularly large gift donors. One point made succinctly by one of the foundations is that, particularly in a volatile business environment, community foundations have to demonstrate that they are able to give good investment returns from their endowments.

Are there other environmental issues which could have an impact on success?

Other issues which could have had an impact on success fall into a range of categories, including the fiscal environment, the way in which charity law allows or does not allow certain types of activities, and the impact of managing flow through funding.

Not surprisingly, all the foundations note that the fiscal environment could be made more conducive to philanthropy. Increases in tax relief and possible increased incentives for endowed funds would make a difference. Split interest trusts and lifetime legacies (see glossary) were also seen as innovations which could be of interest to many wealthy potential donors.

Agency endowment developments (which are being considered by the Scottish Community Foundation) would be valuable. Additionally, being able to convert statutory (government) and lottery funds into endowment would also make a difference. All of the foundations felt that more profile raising at a national level as to what endowment can achieve would not only promote endowment to donors, but could also lead to more debate on ways in which current tax concessions on charitable giving could be extended.

On a separate issue, increases in flow through funding, particularly those resulting from government programmes, did have an impact on the focus of some of the foundations on endowment development, particularly in the first year or so of the programme. As noted elsewhere in this report, the need for community foundations to secure contributions towards core costs has meant that securing administrative fees from major grant programme contracts is a significant part of their income. Additionally, these government funding streams have provided the credibility for the community foundations in being able to demonstrate their skills and expertise as major grant makers in their areas. However, there is a balance to be struck between the time and resources focused on managing these programmes and that spent on fund development. Most of the foundations struggled with this issue during *Time for Growth*.

Are there cultural issues which impact on giving?

In the second year of *Time for Growth*, the foundations were asked whether there were any cultural issues which had an impact on giving. A number of them noted that there is a cultural issue that relates to people's expectations of “giving to charity”. The community foundation message is a different message, but in many parts of the country, where foundations are still relatively new (and because there is not as yet a significant national profile on what community foundations are), even those of high net worth being asked to give will think in terms of the traditional “donation” or equate the ask with traditional “fundraising”. One foundation reported that they had to accept that

they may start with a small gift (£50 – £100 donation) and build to a more significant donation. They also noted that this can take time but that they are seeing results from this approach including a legacy and gifts of shares (£40,000 approximately) from two individuals who started with £500 donations. Another foundation noted the time factor – that it may take twelve or more months before a prospect becomes an endowment donor. This does suggest that even with significant donor research and effective donor strategies, the time scale to achieve the major donation to endowment may be long and the current donor culture in the UK may be a barrier to rapid endowment development.

Is there also an issue about the culture of giving to local causes in specific areas? It was noted from some areas that those who give six or seven figure amounts will give to national causes only – and there is therefore a need to change the perception of the local donor about the worth of giving locally. This appears to be a particular issue for areas with more mobile and commuting populations, where wealthy residents may not have a firm connection to the area they are living in.

Another cultural issue that can impact on prospective donors was noted by one foundation as *“an overarching ethos of anonymous giving that obscures the contributions of the leadership. As such, it is difficult to demonstrate leadership by example of our wealthiest volunteers, and so the somewhat less wealthy feel no obligation to contribute”*. Anonymity of donors can affect the profile of a foundation, by hindering a foundation from promoting itself through the profile of its donors.

6.2 The key activities – an overview

Table 3 shows the range of activities that the ten foundations were involved in during *Time for Growth*. The very wide range of activities that were undertaken is evident, as is the importance of strategic developments. Working with trusts (taking over administration and full take-over of active trusts); repeat approaches to existing or past donors who are individuals, rather than companies; approaches to companies and individuals with introductions; and small events and donor networking are the highest scoring activities. The financial analysis in Chapter 5 shows the percentage of new endowment from these different sources. Strategic activities which score highly are: Board review and development; mapping and profiling potential donors; review of services to donors; and the review and development of marketing strategy. Only seven of the activities had been undertaken by all of the foundations – repeat approaches to past/existing donors; approaches with introductions to both companies and individuals; small events; Board review; encouraging Trustee giving and promoting themed and donor advised funds.

Using Boards and other contacts to make warm approaches to individual and corporate potential donors scored relatively highly, with only one foundation recording that they had not used this approach. Some foundations found that Board members were best at “door opening” but that staff were best at securing the deal afterwards. The essential team nature of a community foundation – Board and staff working together – comes through strongly from this issue.

There were some differences between the successful community foundations during the *Time for Growth* period and those that did not achieve the target figure in terms of specific activities undertaken. However, one of the non-achieving foundations had not used Board contacts to reach prospective donors; two of the non-achievers are still using cold approaches to companies (one of them for membership and they score this quite highly as an activity), whilst two of the achievers have discontinued this approach. The community foundation which had not reviewed its services to donors is a non-achiever. Interestingly, the three foundations that had not undertaken any specific work on legacies were all achievers. It was noted on this area of activity that it can be resource consuming, and is more likely to have a longer-term impact than a shorter-term endowment target effect. It is seen as a valuable activity when related to a “friends” network.

Table 3: Activities and strategies used during *Time for Growth*

The first column has been separated into various categories of activity and strategy, then sorted according to the average score for that activity/strategy. The community foundations were asked to score the usefulness of an activity on a scale from 1 to 5, where 5 was the highest score and 1 the lowest. Not all foundations were involved in all activities. The averages have only been calculated for the scores given by those foundations reporting this activity.

Strategy	Score	Foundations involved during <i>Time for Growth</i>	
		Yes	No
Board review and development	3.8	10	–
Encouraging Trustee giving	3.5	10	–
Mapping and profiling potential donors	4.375	8	2
Review of services to donors	3.7	9	1
Connecting donors to the community and donor education	3.4	8	2
Review and development of marketing strategy	3.8	9	1
Development of new marketing materials and products	3.5	9	1
Promoting themed and donor advised funds	3.3	10	–
Promoting unrestricted gifts	2.85	7	3
Challenge	2.9	5	5
Website development	2.66	9	1
Development and implementation of quality systems (e.g. IIP; ISO 900)	3.5	3	7
Recruiting specific fund development staff	3.5	6	4
Staff review and development	3.3	9	1
Using the media	2.6	–	–
Using opportunities presented by disasters or other specific local circumstances	2.5	2	8

Activity	Score	Foundations involved during <i>Time for Growth</i>	
		Yes	No
Administration of Trusts (endowment not transferred)	4.4	5	5
Trust take-overs – active trusts	4.1	8	2
Trust take-overs – dormant trusts	3.4	5	5
Repeat approaches to past/existing donors (individuals)	4	10	–
Using Board contacts to reach any prospective donors	3.7	9	1
Approaches to companies (with introduction)	3.7	10	–
Approaches to individuals (with introductions)	3.65	10	–
Developing a “friends” network (new or existing)	3	5	5
Repeat approaches to past/existing donors (companies)	2.9	8	2
Linking with diaspora communities (in the UK or abroad)	2.75	4	6
Approaches to companies (without introduction)	2	6	4
Targeting specific minority groups	1.3	3	7
Approaches to individuals (cold approaches without introductions)	1.25	4	6
Small events (under 20 people)	3.7	10	–
Networking donors/creating donors circles	3.6	3	7
Large events (over 20 people)	3.4	8	2
Attending events organised by existing donors	2.75	6	4
Attending events organised by professional advisers	2.5	7	3
Attending events organised by other organisations (e.g. county shows etc)	2.4	8	2
Specific work on legacies	3.2	7	3
Work with professional advisers	3.2	8	2
Accepting gifts of physical property	3	2	8
Accepting gifts of shares	2.66	7	3
Approaches to government bodies	3	7	3

6.3 Reaching specific target groups

Donor intelligence, as noted earlier in this report, is important. But as one community foundation identified, the key issue is how it is used. One of the key findings from the evaluation is that during the course of *Time for Growth*, all of the foundations achieved a better understanding of marketing and using market segmentation to refine the messages that they gave to different target groups. Building one-to-one relationships is significant and this applies to both individuals and companies, as well as work with professional advisers. Using contacts to “open doors” is also key, and again this applies to both individuals and companies. The case study from Scotland illustrates this issue well (see opposite).

Approaches to individuals

All of the foundations have success stories to tell about approaches to individuals, and also cautions about what does not work. Cold calls to individuals are seen as a waste of time, as are general mailings. As one foundation noted, there is no point in taking the community at large as a collection of individuals, and any collective approach, whether through the media, fundraising, dedicated days (at football or cricket grounds, for example) is not a good use of time: “*You can’t get results by treating the community foundation as a general appeal*”. Use of the media in general scored low as an activity.

Using Board and other contacts (particularly existing donors) to make personal introductions is critical in reaching individuals. “New money” is seen as easier than old for major gifts – “old” money potential donors tend to like what a community foundation does, but their money is frequently tied up in land and property and is not liquid. However, their support provides contacts, venues for events and most importantly, credibility. Legacy promotion is also important with “old” money.

Small events, particularly at interesting venues, with invitations from a “host” (preferably a close contact of the foundation and with a profile that makes the invitation likely to be accepted) are very useful. Demonstrating the difference the grants make – “seeing is believing” visits, and annual meetings at which grant recipients speak about their work – is also seen as valuable. The keys to establishing the links which lead to a major gift are a communications strategy which enables effective follow up from initial contact, and good donor support mechanisms.

In working with individuals, “friends” groups or networks have been developed or expanded by half of the *Time for Growth* foundations. There are examples of successful use of “friends” networks with one of the foundations reporting a 29% growth in membership during *Time for Growth*, and with resultant contributions to endowment from their activities. “Friends” networks, alongside corporate membership schemes, are seen as a way of increasing core revenue funding. As noted above, they are also important for the promotion of legacies. However, they can be resource intensive in terms of their operations and as one foundation noted, where a “friends” network was set up during *Time for Growth*, the targeting for membership is crucial; it is all too easy to make the mistake of inviting into membership individuals and companies who should instead be targeted for major gifts. However, they are potentially a cross-over source of donors or of contact with potential donors.

Building the Personal Links: A Case Study From the Scottish Community Foundation (SCF)

Giles Ruck, Chief Executive

I think it is significant that we are now focusing on building one-to-one relationships with advisers, and then buy-in from their company, as opposed to our previous strategy of simply taking on the Professional Adviser Network concept from the United States; this is a step too far for our advisers at present.

I do think that a great case study is that of Mr M., although the gift is yet to come in. Mr M. is selling his family business (second generation). We read this in the news, and tried to figure out how to get to him, mapping Board contacts and so on. It transpired that Mr M. is known to one Board member, albeit a little too distantly. However an 'ambassador' (simply a friend of the foundation, not a formal role and someone who simply 'gets the concept and thinks it's great, but is not wealthy enough to his own fund (yet!)'), does know him, and well enough to drop him an email, suggesting that when the time is right, to get in touch with SCF, if he is thinking about charitable giving following the sale.

Mr M. is indeed thinking charitably, and plans to place £1 million in an

invested vehicle for charitable giving. Despite some family members already running a charitable trust he was very receptive to the idea of using the SCF and establishing a fund, rather than setting up his own trust, or indeed simply adding to the existing one, which was established by a cousin.

Mr M. took his friend's advice and made the call himself, to the CEO of SCF. It was truly a momentous day, as SCF received its first ever in-bound 'phone call from a prospective donor, with a potential fund value larger than any single fund yet held! Except the CEO was out and the voicemail was on. Not a great start.

Nevertheless the call was returned and a meeting was arranged. The CEO met Mr M. and 45 minutes later there was an understanding of SCF's proposition and level of service, a commitment from Mr M. to check the concept with his advisers, and a commitment from the CEO to undertake some community profiles for the three geographic areas of interest (which, unsurprisingly, are the three areas where his businesses are based).

In the meantime, his financial advisers had recently received a presentation from our Development Director and the Chair of our Development Committee; when Mr M. made the call to them, he was assured that the fund model (versus a Trust) will work for his needs, and that SCF can indeed fulfil his charitable wishes.

... This is where the story ends for now. The sale should be completed by mid-2005, and SCF should be managing a new £1 million fund, making grants of some £50,000 per annum to three Highland and Island communities.

The story demonstrates the importance of:

- watching the business press for profile business sales, etc.
- keeping SCF uppermost in ambassadors' and Board minds
- making a clear proposition, and clear levels of service, especially versus a charitable trust
- briefings to advisers
- being able to demonstrate community intelligence (through community profiles)
- a bit of luck!

Widening the Contact Base: The Cumbria Community Foundation Experience

Andrew Beeforth, Director

At the beginning of Cumbria's participation in *Time for Growth* we were recognised as an up-and-coming foundation, with an excellent track record in both endowment building and for our award winning response to the Foot and Mouth Disease outbreak.

In reality we were and still are a small organisation serving a very large county, which is facing significant economic challenges. Our early success had been based on identifying, targeting and securing the support from all of the 'obvious' sources. We had benefited from a £250,000 Challenge Fund, which had drawn down £500,000 in funds for endowment.

Therefore at the start of the *Time for Growth* programme we had gained some credibility as an organisation capable of responding to community need, but one which had exhausted its list of potential contacts and donors.

We believed then and still do now that endowment fundraising is based on building long term relationships with donors. We also felt that we could more readily make contact with, and get to know better, potential donors through a broad based membership campaign.

To address the geographical challenges of the county we set about a two-year

programme of events, which in total provided full coverage of the county. In total we ran ten drinks receptions in country houses and high quality hotels. As a result we met and briefed over one thousand people. Each event was planned and co-ordinated by a local committee of volunteers who drew up the invitation list and helped with organising events.

As a result of this programme we have secured 300 individual or family members of the foundation. This was an ambitious undertaking and one which in hindsight could have been undertaken with more a structured approach to both invitations and follow up. The pace and work involved in the events meant that time was not available to do proper telephone follow up of guests and, because of the size of the gatherings, it was not always possible to gauge potential donors' interests. However Trustees are committed to grounding the foundation in the communities of Cumbria and to building a growing community of people who can advocate on behalf of the foundation and be a potential source of longer term gifts.

We do now have a regular programme of mailings to members and opportunities for members to attend events and become involved as volunteers.

In addition to individuals and families we set about building relationships with local businesses through a Corporate Membership Scheme. Developed mainly through a programme of one-to-one briefings and a series of events the Corporate Membership Scheme has risen to 110 members. Income from corporate membership contributes to core costs. A number of Corporate Members have taken the decision to establish 'flow through' grants programmes with the foundation. Others have become involved in the Cumbria ProHelp Scheme, which is run jointly with Business in the Community.

As with individual and family members, Corporate Members are a potential source of more major gifts. However many of the companies participating in membership are of a scale and size which means that major donations can only be made in exceptional circumstances. We feel we have good links and relationships with our Corporate Members and consequently will be well positioned to make appeals for larger sums when the opportunities arise.

The membership schemes have been part of an ongoing 'brand awareness' programme which has been undertaken alongside a programme of activities aimed at targeting high net worth

individuals. The membership scheme is one means of accessing or introducing us to high net worth individuals and also a step in donor development or a 'try before you buy'.

In January 2005, Carlisle and North Cumbria were hit by the worst floods they had experienced in over one hundred years. Within 24 hours of the floods the foundation had launched an appeal to help the people and communities affected. Because of the work invested in recruiting members and in identifying potential members we were able to distribute over 700 appeal packs within a matter of days. The response has been incredible with over £500,000 raised in less than two weeks. Donations have come from existing members and also individuals and companies, which the foundation has been targeting for support. With this impetus and new relationships we fully expect to maximise and build on this success, learning lessons from our experiences immediately following our Foot and Mouth Disease experience.

A key area for *Time for Growth* has been in expanding the number and range of donors, and in this, reaching out to more individuals has been important. Cumbria's experience is part of this (see pages 38 and 39).

It is critical in the development of such activities that the conversion rate of "friends" to endowment donors is considered. The development of "friends" networks needs to be approached with care, with a clear strategy, an understanding of the resources needed to make them successful and an awareness that other forms of fund development investment may be more effective in achieving endowment growth.

Approaches to companies

As the Cumbria case study shows, involving companies through one-to-one contact can produce some results, even in a county where the business environment does not lend itself to major gifts. As with individuals, the key is contacts with the senior people in a company or local business. Introductions through Trustees or contacts of the foundation are important, and contacts from other corporate donors can be highly beneficial. It is seen as important to get to know the company (for owner managed businesses) or senior people (where it is part of a larger company) and judge the specific circumstances. Without this, approaches are not seen to work.

Some foundations found that recruiting a "Business Champion" was very useful. Positioning the foundation as a means of taking the burden of responding to appeal letters away from the company is a useful approach – but as more than one foundation noted, businesses still need to be shown how they can retain decision-making in relation to grants and also their profile in the community. Some of the foundations have developed mechanisms for building long term relationships with businesses, through Business Partnerships. Initially starting from flow through funds, they build the relationship to lead on to endowment. Professionalism in approach and good donor support mechanisms, as with individuals, are critical.

The perceived positioning of community foundations is also important: they need to be seen as the organisations which are the professionals in the field of philanthropy. As one foundation noted: *"any general approach which gives the impression that the community foundation is a charity seeking a donation will not be successful"*.

Cold approaches to companies are, as with individuals, mainly unsuccessful, except in relation to invitations to become a corporate member, where some minor successes can be seen. Payroll giving has mainly been very unsuccessful. Several foundations also noted that it is important not to "get stuck" at the level of the community affairs department or committee – the real decisions on significant donations will be made at a more senior level.

Working with Chambers of Commerce has received a mixed response. Some community foundations have found these links useful, others have found them to be a waste of time. Again, this is related to knowing what is useful within the specific local environment, for instance how active the Chamber of Commerce or other business networks are and how responsive they are to the community foundation message.

Approaches to government bodies

Not all of the community foundations had been involved in making approaches to government bodies. One of the foundations was singularly successful in achieving money from a Regional Development Agency towards the target for the challenge that they were running. Pre-existing relationships of trust, coincidence of agendas and alignment of interests were critical in securing this funding. However in most cases, statutory bodies will state that they are not able to transfer funds into endowment. This is one of the issues noted in the report under national environmental issues. Statutory funds, which might be available only for the short to medium term, by being shifted into the permanent endowment of a community foundation, could provide a “new” source of ongoing support for charitable and community activities which might not otherwise be available in the future. At the regional level, it needs the regional strength of community foundations to be able to make the case for support generally for their work. As all of the *Time for Growth* foundations are involved in the management of statutory funds for grants programmes, they have a track record of successful delivery which can be built on, demonstrating the value of the community foundation model.

Trust transfers have come from local authorities and this area of work may enable existing funds to be used more effectively.

Trust take-overs – active and dormant – asset transfer issues

The highest scoring activity was the administration of trusts (assets not transferred), and the take-over of trusts also scored highly. An issue that was raised by the Independent Advisory Panel during *Time for Growth* was whether all the funds to be achieved towards the target should be new philanthropy, rather than transfer of existing funds to foundations. Can transfers of dormant trusts or money from charitable trusts to community foundations be seen as adding to philanthropy or merely transferring assets from one charitable source to another? Dormant trusts, which will not be achieving their potential, can be used more effectively when taken over and distributed through a community foundation; active trusts are likely to benefit from pooled investment returns and also from effective grant making mechanisms. Thus whilst these sources of new foundation endowment may not be “new philanthropy”, their transfer to community foundation assets can be considered as providing an enhancement of the asset, by allowing for long term growth and more effective use of resources. In the UK context, these types of transfers should not be overlooked in the building of new endowment within community foundations.

Professional advisers are seen as a good source of information on appropriate trusts. It was noted that this is a long term process and that all approaches must be specifically tailored to the needs/interest of the specific trust. This is seen as long term development work, built on the basis of confidence in community foundations to manage funds well, but which can lead to greater efficiency and effectiveness at the local level through local asset consolidation (see South Yorkshire’s case study on page 42).

Trust Mergers: The South Yorkshire Community Foundation (SYCF) Experience

Richard Clarke, Chief Executive

The community foundation maintains active links with other local trusts through grants for a Sheffield Trusts Secretarial Forum and Yorkshire Funders' Forum. Established, old-moneyed families are particularly useful when seeking introductions to trusts. After all, the Trusts were typically established by their forbears...as a function of successful Victorian family-owned businesses. In the case of SYCF, our Chairman knows the key people at the several large local trusts and has played a pivotal role. The USP (unique selling point) we bring to large trusts is simple: economies of scale, community knowledge, monitoring/quality review, reduced liability, added value and opportunities for collaborative funding.

We have met directly with representatives of all of the

sizeable local trusts. During *Time for Growth*, several mergers have resulted. Also, however, we are on the radar screens of those who are not yet ready to merge, but who have mooted the possibility of future merger. A handful of these trusts each manage assets of six figures. We will regularly meet and keep them apprised of our progress while sharing news of successful mergers.

It can take several meetings to secure a trust merger. In the case of the Deakin Institution, we met on a dozen occasions. We started with the Institution's Chairman and Secretary, and progressed to meeting with all of their Board members. In each situation, we seek to influence all known board members through mutual contacts each of whom offers an endorsement of SYCF.

There are relatively few large trusts in each sub-region (outside of London). While mergers with large trusts are a useful way to develop endowment, smaller trust mergers can present difficulties. Small trusts often benefit from low overheads. In particular, there are typically no office or grant officer costs (as they rely on a selection process managed by volunteers). They are less likely to pay solicitors' or accountants' fees in relation to trust management. As such, it may be difficult to offer small trusts the economies of scale that are possible with larger trusts. The case to make to the smaller trusts is one of increased grant quality (effective targeting) rather than efficiency.

Work with professional advisers

Two of the foundations have not undertaken specific work with professional advisers – one achieved the target within the time frame and one did not. In general this work is seen as valuable, but also needs to be seen as strategic: what is intended to be the outcome from the contacts? There is an issue, raised by a number of foundations, that many people of high net worth do not use local advisers, but are likely to use advisers based in large cities – a lot of local money is not managed locally. This may require some consideration as to how community foundations are promoted through national networks of advisers and through prominent large firms. There should be no element of competition between foundations on this issue, even where a prominent firm may be based in the area in which another foundation operates.

Over the period of *Time for Growth*, success factors in working with professional advisers were noted as:

- offering a quality service to the clients of professional advisers – helping a client and making them happy is the best recommendation for the foundation
- responding quickly and professionally to enquiries when made (particularly about potential wording of documents)
- understanding the needs of professional advisers
- being more targeted in communications with professional advisers
- ensuring professionalism (the community foundation as the professional adviser on philanthropy)
- engaging professional advisers works best when they are introduced to the foundation by a Trustee or by a supporter of the foundation
- increasing the capacity to reach them individually, and raise their level of awareness of the foundation to the point where they come to the foundation when a situation arises where the foundation can help them
- good reputation means advisers are happy to link to a foundation in joint presentations and that advisers feel the foundation has a “quality” list of supporters, who they can access through them
- presentations to employee groups – not just to senior partners in firms – recognising that senior staff do not necessarily communicate with each other or their juniors to promote their knowledge of the work of a foundation.

Systematic and focused approaches are critical, as is long term relationship building. The foundations have had different experiences with the development and use of materials specifically for professional advisers: some have found professional advisers’ packs useful, others not. As with all activities, it seems that the most important factor is responding to the needs of the professional adviser individually, rather than relying on generic approaches and materials – specific needs need specific responses. General receptions and general information were generally seen as unsuccessful. The investment in work with professional advisers does pay off, as the experience of Hertfordshire shows (see pages 44 and 45).

Creating a Relationship With a Professional Adviser: Hertfordshire Community Foundation (HCF) Case Study

Tony Gilbert, Chief Executive

This is the story of a relationship with an independent financial adviser, who first heard about community foundations a few years ago, after joining the Hertfordshire Chamber of Commerce and Industry. B. went along for the first time to one of the regular networking lunches they hold, at the end of which the usual practice is for two or three people, whose names have been drawn out of a hat, to be given the opportunity to speak for a maximum of two minutes to the whole room.

On that occasion, one of them was me. With only two minutes, I concentrated on our Business Partnership scheme. However, something clicked and B. picked up one of our annual reviews, which he took back to the office. Later that afternoon, he called me to say that he was particularly interested in the section about named funds.

He then told me about one of his clients, whose financial affairs he had been looking after for many years. The client had been widowed the year before, and had been left very well provided for. In fact she was now in the position of having quite a sizeable surplus income, and this had given her an idea. She had long wanted to do something to help older people in the Welwyn Garden City area. Now she had the means to do so, and asked B. if he would find out about setting up a charity.

B. had started to look into it, but not got very far. He had obtained some forms from the Charity Commission, but it did not look as though it was going to be straightforward. He realised that HCF might be able to provide the solution.

We met and then went to see his client. The decision in principle to go ahead was taken there and then, and I went away to draw up a named fund agreement, as a brief summary of the aims and objectives, and how it would work on a day-to-day basis.

Subsequently, B.'s client signed a covenant to give a five-figure sum annually for four years. The tax reclaimed under Gift Aid was added each year to the endowment income in order to provide a larger sum for grant making. The first grants were made to charities for the benefit of older people in Welwyn Garden City. B.'s client received news of the projects supported with grants from her fund, and we kept in touch from time to time to check, for example, that she was happy with the kinds of grants being made, and to give her the opportunity to have more information.

B. was very happy with how things had gone. The community foundation had provided a practical and effective way of dealing with his problem and he had a satisfied client. Indeed everybody

benefited, because her money was now going to local causes for the benefit of older people.

B. liked the way in which the community foundation worked, and thought that this might appeal to some of his other clients too. So he began to mention HCF from time to time where appropriate.

One was M., who tended once a year to give a small sum to her favourite charities. Most were large well-known national charities, but she too had lived for over thirty years in Welwyn Garden City. When she heard about the community foundation, she decided to add it to her list of charities receiving a small donation once a year.

B. also enrolled his small family firm as one of our Business Partners, and began giving on an annual basis.

Some time later, Hertfordshire's bid to take part in *Time for Growth* was successful, and as one of our supporters, B. learned about the endowment challenge. We met at some point during the first year and talked about our ideas and plans to achieve this target. B. subsequently made a pledge to raise a six-figure sum over a two-year period and

drew up a plan to do so through a number of initiatives.

Unfortunately, for various reasons, things were not able to proceed as planned and little progress was made for the first year. It was at this point that an opportunity for a change in strategy became apparent.

With a number of elderly clients for whom he had acted for a great many years, B. found himself involved in dealing with all sorts of issues. In particular, he was sometimes asked for help in relation to inheritance tax planning and thus the area of wills and legacies, including charitable bequests.

M. was one and at this point she was reviewing her will. She had no really close relatives and knew that she would like her favourite charities to benefit, as well as the local community, but that was about it. B. arranged a meeting, and the outcome was one that suited her perfectly. In short, the bulk of her estate would come to the community foundation to set up a named fund: 50% of the annual income would be divided equally between eight named charities, while the other 50% would be used at the discretion of the Trustees to meet local community needs.

We also talked to the donor who had set up the fund for Welwyn Garden City and her daughter about the *Time for Growth* endowment challenge. When the initial four-year covenant came to an end, we asked about a further pledge. As a result, we have a fresh five-year commitment. We have since learned that she has not only named HCF in her will too, but left a substantial share portfolio, to be added in due course to her named fund.

Finally, B. and I happened to meet recently at another Chamber of Commerce networking lunch. As we followed the tradition of taking it in turns to introduce ourselves to people around the table, I found myself in the fortunate position of having someone else there to add a personal endorsement of what a community foundation can do.

Legacies

Not all of the foundations (only seven) had undertaken any significant work on legacies. Work in this area was not scored particularly highly by those who had undertaken it. However, legacies did provide a significant source of endowment for some of these foundations, ranging from 54% of new endowment in Hertfordshire and 51% in Wiltshire and Swindon, through 16% in County Durham and 12% in Cumbria. The achievement of legacy donations is clearly tied closely to developing links with professional advisers, but also to being able to demonstrate that the foundation is a very appropriate place for a legacy, as the foundation can ensure that the donor's wishes will be respected and their legacy will continue to have benefits in the long term. And there can be unexpected gains from legacies – as Wiltshire and Swindon found just after the end of their *Time for Growth* period, when a pledged legacy of £1 million was received, and in fact became a £2 million legacy, as the community foundation also benefited as the residual legatee in the will. Although legacy work is time consuming and does not provide “immediate” gains, it is a worthwhile long term strategy.

Reaching specific groups in the community

Reaching into some of the specific groups within communities can be harder. The foundations were asked during the second year evaluation if they had undertaken any initiatives to reach, for instance, Black and Minority Ethnic communities and “diaspora” communities. By the end of *Time for Growth*, four of the foundations had tried links with “diaspora” communities (in the UK or abroad) and three had tried targeting specific minority groups. Only one foundation reported any significant success with a diaspora community (Scots living out of Scotland). For most foundations, this will not be an effective use of resources.

Again, knowing and understanding the nature of the local environment is important in reaching into minority ethnic communities. The three foundations specifically mentioning these communities have met with mixed success. The most successful community foundation in the *Time for Growth* group was South Yorkshire (SYCF), who seized the opportunity to increase diversity in relation to minority representation, gender, sector and geography.

South Yorkshire has maintained existing links to the African-Caribbean and Indian communities through the continued trusteeships of two members of these communities and increased links to the Jewish community developed further with two Jewish Trustees. Links to the Pakistani and Islamic communities were strengthened through a key Trustee appointment, who brought a sphere of influence hitherto untapped by South Yorkshire: television personalities, professional athletes, hoteliers, and the St. Leger racehorse circuit.

South Yorkshire has also used its grants panels to widen its contacts with its local ethnic minority communities: *“During the past two years there has been active recruitment in relation to the grant review panel members. Through a conscious process of diversification, these panels now include various representatives of the sizeable communities that comprise South Yorkshire: disabled, Somali, Pakistani, Yemeni, Bangladeshi, Indian, African-Caribbean, Chinese and others. Panel member recruitment is an ongoing consideration and undertaken with an eye to census data.”*

In future, we will also endeavour to recruit representatives from newly developing communities: Sikh, Polish, Bosnian and others. The grant review panels offer a useful introduction and vehicle for future Trustee recruitment reflective of the communities we serve. Grant review panel members are often active in their respective communities and as such, there is a good chance that they may be well connected to business leaders and other stakeholders”.

Further work needs to be undertaken by community foundations to reach out further to ensure greater diversity of their donor base and thereby their community reach. Whilst grants panels increasingly represent the diversity of communities and community foundations are working to ensure that their grants programmes recognise diversity, achieving diversity in relation to fund development will be harder. Further work may need to be undertaken on the giving patterns of the UK's Black and Minority Ethnic communities and the role that community foundations can play in supporting and developing their philanthropy.

6.4 Becoming strategic

Planning

All of the foundations had had to produce a development plan as part of their submission for the grant process. During the first year of the evaluation, all had reported that it was an important tool and for those who had not previously developed a plan of this type, the process of development itself had been important in identifying strategies and thinking about a three year plan and targets. All of the foundations reported in the final year that the plan had been a constant reference point – but that it was important to review it and revise it to reassess priorities and opportunities as well as progress against the plan.

A key issue, though, was ensuring the Board had wider organisational ownership of the plan. As one foundation reported: *“My experience would suggest that not many Trustees had read and absorbed what the plan entailed...”*. Other foundations had been able to engage their Trustees at the beginning: *“All Trustees were given their own copy. Individual staff and/or Trustees took responsibility for leading in certain areas, while the plan provided the agenda for discussion at Board meetings and the focus for reporting (both activity and results)”*.

So during *Time for Growth*, the importance of having a clear development plan and from it a strategic direction was critical. But plans cannot be static documents, and each foundation reported changes to their plan during the three years. Changes implemented by most of the foundations included an increased focus on donor services and a systems development approach; identifying new targets and switching targets when appropriate (for instance from a focus on companies to a focus on high net worth individuals); reviewing issues when individual goals were not met; setting new milestones on a six-month rolling programme; building on the outcomes of ongoing research; using the plan to question the infrastructure and make changes, including reviewing staff inputs, and the recruitment of specific staff.

As one foundation succinctly put the ways in which they had changed their plan: *“Less focus on how, more focus on who. Less focus on activities as an end in themselves (profile raising for example) and far more focus on meeting and cultivating particular prospects. Less shotgun marketing, more focus on sales and relationship management....”*

The ways in which the plans were used, reviewed and adapted, and the increasing ownership of the plans throughout the foundations, by both Boards and staff, is one of the key issues in the success of those foundations who achieved the challenge and is also seen by the three who did not as critical in continuing to build towards success for the future.

Keeping up the momentum was also seen as a major issue. All of the foundations identified some dips in forward progress after the initial buzz of being successful in achieving a *Time for Growth* grant. Early wins were seen as important. Regular review of the plan and adjusting it to reflect progress and learning from previous successful and unsuccessful activities was critical. Stock market downturn did cause most of the foundations to experience a dip in momentum, as potential donors were less positive about the future. In general, though, there was a sense that even when there was a “dip” the foundation emerged from it higher up the growth curve.

Stability and continuity

There were some “dips” in momentum caused for some of the foundations by changes in staffing. For three of the foundations, this involved changes in the Chief Executive. In two of these cases, the Chief Executive at the time of the bid for *Time for Growth* funds identified that they were not the right person with the right skills to take on the challenge of fund development. For one foundation, a new Chief Executive was appointed with key skills and this was the second foundation to meet the £2 million target, well within the time frame. For the other (Heart of England), the situation has not been so successful and there have been a total of four changes of Chief Executive during the *Time for Growth* period. The real discontinuity in staff leadership in this foundation has clearly been a factor in many of the difficulties that they have encountered. Community Foundation Network and the Independent Advisory Panel agreed to a six-month suspension of the grant for this foundation, to give them an opportunity to resolve their staffing problems. Even with the extended time period, Heart of England did not achieve their target, reaching only 37% of the £2 million. One other foundation experienced the retirement of their Director towards the end of the *Time for Growth* period. However, as this was a planned event, time could be allowed for an exit strategy and hand-over. There was a slight dip in momentum and a hiatus, but the foundation was quickly back on track and achieved its £2 million target.

For one of the other foundations, the Chief Executive resigned in the *Time for Growth* period and again, a new appointment proved unsuccessful. Subsequently however, the appointment of an individual who initially took on the post of Acting Chief Executive and was then confirmed in post has been extremely successful and this foundation records the highest financial performance of the ten. It is interesting though that this Chief Executive attributes the success (and the renewed momentum) to the appointment of a new and experienced Development Director.

Other foundations also experienced problems with some initial difficult appointments, which will be discussed below. Where this had happened though, the continuity of the Chief Executive has been critical: *“While there has been disruption in staffing fund development, continuity has been there in the person of the Director. This has been significant in giving greater opportunities to spot and exploit opportunities for potential major gifts, as people have come to know and trust me, and thus the foundation”*.

However, several changes in staffing and in structures in at least one foundation are likely to have had an impact on achievement. The time taken up with recruitment processes, with the close supervision of under performing staff and the loss of continuity in their contacts with donors and potential donors, all have an impact on an organisation. Clarity on roles and job descriptions and on person specifications is critical. Ensuring that the structure is correct to handle the complexity of the work of the foundation, with where possible delegated responsibility for some areas of work (such as public sector funding streams and grants programmes), can free the Chief Executive to focus on the implementation of strategies for fund development and building donor relationships.

It is clear that continuity is important for major fund development initiatives, but, of course, this cannot be guaranteed. Where changes do need to occur, good hand-overs are critical, at all levels in the organisation, but particularly at Chief Executive level. As the Chief Executive has a key role in building donor relationships as well as ensuring the executive implementation of plans and strategies, the importance of this role cannot be too highly emphasised. The one key issue which does emerge from the difficulties some of the foundations have experienced, is the probable shortage of individuals with the wide range of skills and experience in the UK to take on the demanding role of Chief Executive of a community foundation. The experience of Heart of England is a case in point (see page 50).

Staff turnover within the voluntary and community sector is notoriously high. Organisations if they are to survive must plan well ahead, consider diversification and ensure that they maximise their human resources.

Where continuity in staffing cannot be achieved, the commitment of the Board to the fund development process is critical. In the case of Heart of England, changes were also needed within the Board, which may have played a further part in the discontinuity of endowment development in this foundation.

Staffing and skills

The role of the Chief Executive is key, not only to provide leadership to the staff team but also in providing a key link with donors. This has become very apparent from *Time for Growth*. Several of the foundations used the core cost support to free the Chief Executive to focus on fund development, by employing other staff to take on roles in grant making etc., which had previously been covered by the Chief Executive. As mentioned previously, in two foundations the Chief Executive resigned shortly after the start of the programme, both recognising that they were not the right people to take forward fund development and that different skills were needed for the role. In one case, South Yorkshire, the change of Director proved very successful; in the other, Heart of England, the subsequent discontinuities of leadership had a profound impact on the ability of the foundation to achieve the target. In Scottish Community Foundation,

the Chief Executive resigned early into the *Time for Growth* programme to take up an opportunity he had always wanted. Here again, despite a short hiatus with an unsuccessful appointment, the eventual appointment has proved highly effective. The range of skills needed as the Chief Executive of a community foundation, particularly to lead on fund development, are considerable. Where it is recognised that the Chief Executive may not have the required range of skills, the appointment of specific fund development staff is important, to complement the Chief Executive's other skills.

In some foundations, specific fund development staff were recruited, to provide support to the Chief Executive. However, this was not always successful. One of the less successful foundations felt that they did not get the recruitment and job description for a Fund Development Officer right and this not only created problems, but was seen in the first year of the evaluation to have impeded the implementation of the fund development strategy. Where this approach was used successfully, it was seen as having a major beneficial impact on the foundation, by providing two people concentrating on fund development (the Chief Executive and the Development Director), by creating a new dynamic in the organisation, by ensuring that existing donors were looked after better and by improving marketing and systems related to fund development. The Wiltshire and Swindon Foundation experience demonstrates what happens when this is successfully achieved (see opposite).

The Challenge of Chief Executive Continuity: The Experience of the Heart of England Community Foundation

Jenny Bryce, Acting Chief Executive

There have been four Directors involved in the programme. During times of recruitment there has been a lull of activity, which inevitably had an impact on the amount of work that was carried out to develop the *Time for Growth* programme. The relationship between existing donors and the foundation was sustained by the intervention of Trustees and staff.

It is difficult for a succeeding Director to come in and immediately pick up the reins of the work of her predecessor and introduce new ways of working at the same time. Equally, it takes time for existing donors to build a rapport and working relationship with a new Director.

Staff have found the changes in staff turnover difficult to cope with. Although it has not hindered the amount of work undertaken it has at times meant that the environment in which they have had to work has been difficult. To combat this, staff have been encouraged to strive towards new goals, embrace new areas of work, and adopt new systems and procedures in order to make their roles more fulfilling, effective and efficient.

The foundation has always remained committed to the *Time for Growth* programme, and has worked towards implementing changes that will make a difference, but the lack of continuity coupled with changes in

Directorial approach has led to inconsistency in delivery and focus.

The *Time for Growth* programme enabled the foundation to create an Assistant Director post. This has been extremely beneficial. It would be impossible for one post to cover the work of the flow through programmes, the private funds and the day-to-day management of the office.

This new post made it possible for the work of the outgoing Director to be sustained, but with having to balance another full work load, not as much time as needed has been afforded to forging new leads etc.

Recruiting a Development Director: The Wiltshire and Swindon Community Foundation Experience

Anna Marsden, Chief Executive (until Spring 2004)

“... and then there were five”

The appointment of the Development Director brought a much-needed breath of fresh air into the organisation. For six years we had remained constant with four loyal and dedicated full time staff. We had coped with a greatly increased workload through effective team work and an intelligent use of ICT systems. The possibility of adding another member of staff to the team was often discussed but we always felt we should be further ahead with our endowment building before we treated ourselves to a fifth full time person.

Why did we feel like this when it was obvious that we were over-stretched and not making sufficient progress? Because we are a voluntary organisation dependent on others for support and brain washed not to spend too much on costs!

Then came the *Time for Growth* proposal, actually offering core funding for development. What a joy! What an inspiration! And how exciting to apply for funding from an organisation that fully understood our business and our predicament.

But we were nervous. Bringing a new person into the team could have adverse effects. How were we going to find the person we needed for the salary we were offering? Fortune shone on us however and through a thorough and open equal

opportunities recruitment process we appointed a multi-skilled and dynamic Development Director to join our small team. What a luxury! A full time Development Director and for three years too. What would we now be able to do?

The impact on the Community Foundation for Wiltshire and Swindon was considerable. Changes began to happen immediately. From the significant – reorganising and updating all important donor information; thinking bigger and asking for more – to the minor but none the less important – redecorating the offices to give a better impression. Full marks to all involved.

For me personally, for the first time in 12 years I had a staff member to share the development work. Someone to bounce ideas off and with whom to share highs and lows. Someone too, to find new creative solutions to persistent stumbling blocks. Someone with whom to make approaches – two minds being better than one when you need quick answers in tight situations. Someone else to go to the inevitable Charity Ball!

Well, did the appointment solve all our problems? Did we rapidly leap from £2 million to £5 million? No we didn't but we did have our best ever endowment year and – by counting a signed and sealed legacy* – reached the £2 million *Time for Growth* target. Importantly too, the

success of the appointment and the energies and enthusiasm of the post holder impressed Intel – one of our major corporate supporters – who are now providing continuation funding for the post.

What do we learn from this? That it is necessary to speculate to accumulate – something voluntary organisations are loath to do. That if you find the right person for the job, manage the work well and keep up a high level of quality approaches, results will follow. I still believe reaching £10 million will take a long time in rural Wiltshire – and we still have some hard nuts to crack – but through *Time for Growth* we have been enabled to give it a good shot, to make steady progress and to face the future with confidence.

**Since this case study was written and as noted elsewhere in this report, the legacy has in fact been received by the foundation – but for £2 million instead of £1 million. This was due to the community foundation being named as the residual beneficiary to the will as well as receiving a specific bequest. However, as the additional money was received after the end of the Time for Growth period, it has not been counted in the final total for Wiltshire and Swindon. If it had been, their final total for Time for Growth would have been £3,302,023, making them the second highest performing foundation of the ten.*

Staffing and skills continued

Changing staff job descriptions to make them more donor focused was also seen as valuable. Grants managers have had jobs amended to incorporate a new donor services and development role. One foundation has specifically involved its grants staff in undertaking donor services tasks, such as writing community profiles and being involved in these processes, so that they can increase their understanding as to why these are important.

There is an issue about training of staff and the specialised roles of staff in community foundations. As one foundation noted, marketing skills in general are not enough; they must be tuned to the specific marketing needs of community foundations. Similarly generalised fund raising skills need to be adjusted to the needs of fund development and an understanding of endowment, as well as donor relationship building. One foundation has included gift solicitation as a process in its staff training, including role play on donors and on staff making the ask. This training has been carried out across the whole staff team, thereby getting an increased understanding in the whole foundation of fund development issues.

One community foundation undertook and achieved Investors in People and ISO 9001 (an internationally recognised quality standard) as part of their strategy to invest in developing a robust and professional organisation, and feels that the time taken has been well worthwhile, as in particular it adds a legitimacy to them in relation to their business donors. As they noted: *“Not everyone will want to go down the ISO route – but it has certainly impressed a couple of our corporate fund holders. More importantly, it has helped up to build in quality management checks to our work, to ensure that the service we are giving our donors is as good as it possibly can be”*.

It cannot be assumed that in any specific area of the country there will be a pool of potential applicants for posts (at whatever level) who will have a background that is immediately relevant to the needs of a community foundation. The foundations have had to invest their time in developing the approach and the skills and when this does not work out with a specific individual, a considerable investment has been lost.

The skills development of the Chief Executives has also been a key gain from *Time for Growth*. In particular, a number of Chief Executives note the development in their understanding of marketing and their communication skills and also their ability at spotting opportunities for giving. In addition, they identified that their ability to manage more complexity and manage more strategically and effectively has developed. The focus in *Time for Growth* on the role of the Board has also led to some Chief Executives acknowledging that they have learned how to work better with their Boards and develop closer working relationships. Several of the Chief Executives noted that it is important for someone in their position to have good personnel management skills and to be able to delegate – but coping with the demands of the role in relatively small organisations with a variety of tasks being undertaken does mean that high level time management skills are key.

Focus on donor services

Overall, there was a key shift in most of the foundations to review and reposition themselves as providers of high quality services to donors. Several of the foundations used some of the core funding to invest in systems to improve their donor services.

The responsiveness of community foundations to meet donors' needs is a key part of the community foundation message. Developing increased donor support and offering flexibility in the ways donors can invest – by recognising and preparing bespoke proposals (mixing and matching in proposals according to individual needs) to meet the donor's needs and emphasising the flexibility of the services that the community foundation can offer, whilst showing examples of how focused they can be in meeting their needs – is critical. One foundation is providing community profiles as part of donor education. Wider portfolios of products have been developed, with increasing use of themed funds. Assessment of donors' needs has formed a key part of strategies in foundations.

Increasing personal approaches (personal acknowledgement of donations by Board members, handwritten notes etc.) were seen as valuable, as were planned contacts with targeted invitations, and making links between potential and existing donors with similar interests. Making closer links with the donor and visiting them in their own homes has been undertaken by some of the foundations. Named fund donors and other donors going on "seeing is believing" visits have been taken up by several foundations. Other initiatives included log-in websites, and more feedback from grant recipients to donors. One of the foundations noted how they had invested in their systems for donor support as a result of *Time for Growth* funding: *"Each of our donors gets their own login site which shows quarterly investment performance for their fund, annual grant budget and grant spend, detailed information on each grant given, all driven from our day-to-day grants management with no extra work for anyone! This was extremely popular with our donors, and also overnight improved the quality and quantity of information we provided to them."*

Developing a real connectivity with the donor has become critical and is now seen as part of the ethos of all of the foundations. As one of the foundations reported: *"One of our donors is an elderly woman who has made the foundation her residual legatee. We are the people who will remember her and remember her wishes after her passing. We're not an organisation that is simply going to bank the cheque, do something with the money and move on. Each time I visit her, I learn a little more about her community and what is right for the advised part of her fund, and what would not be in keeping."*

Some of the foundations also found that focusing on the financial aspects of their work, i.e. value for money and investment returns, and not just on the outcomes from the grants was a key strategy with some potential donors. This marks a shift from telling the prospective donor about the needs they can meet, towards meeting of the donor's need to ensure that their investment in the foundation will be well used.

There was also increased understanding that encouraging flow through funding is a useful means of demonstrating what a foundation can achieve with a donor's money. Increased levels of flow through funding, although these did not specifically build new endowment towards the *Time for Growth* target, are important, as these donors can in the future be encouraged to develop endowed funds in a foundation. Flow through can therefore be seen as an "entry level" for new donors and can enable relationships to be built and the professionalism of the foundation in managing funds for grants to be demonstrated. There was clear evidence from a number of the foundations that this process was valuable during *Time for Growth* and will continue in the future.

Linked to the above issue is also that of timescale: many of the foundations reported that it is not just the big gift donors who are important, but so is working with donors who start small, build relationships and then make more significant donations. It was noted that it takes time to build the relationship and in the context of endowment building three years is a short time horizon. Given that relationship building is so key to securing donor commitment, it is a tribute to the *Time for Growth* foundations that they raised such significant amounts of new endowment into their foundations within this time scale.

Increased professionalism is also seen in the improved quality and regularity of reporting to donors and clearer agreements with donors has also contributed to the increased professionalism of the foundations in providing services to their donors.

Fees

Part of developing donor services is the fees charged. Several of the foundations had reviewed their fee structures during *Time for Growth*. One of the foundations noted that they had stopped talking about a fee, which had elicited negative responses, and now refer to a contribution to the foundation, which in itself is charitable. Another of the foundations has recently introduced the concept of an optional 1% top-slice set up fee, as a gift to the foundation.

There is an issue about being cheap – but also needing to cover costs. One foundation adopted a strategy of dropping the charge on endowment progressively by 0.1% per annum and raising the grants budget accordingly. Falling stock market values led to a suspension of this approach, but it has now been reinstated. In some cases, charges on endowment have remained the same, but fees for flow through increased, for example from 5% to 10%. This does not seem to have been a barrier.

In one case, a Business Partners initiative has been promoted by enabling small investors (up to a maximum figure) for flow through funds to have their fund managed without charge – but the foundation retains the interest. This has encouraged companies to develop their relationship with the foundation.

Marketing

Marketing has been a key tool for fund development, both in relation to developing more effective marketing strategies and also in the review and development of new marketing materials. Its significance during *Time for Growth* has demonstrated that a focus on this area is critical. In particular, the review and development of a marketing strategy scored highly on the activities chart (Table 3). Overall, the approach has become more professional with a clearer understanding of marketing and using market segmentation and with less of a “scattergun” approach. Market research and drawing up a “donor map” of their areas has been undertaken by most of the foundations. Learning more about marketing has also been important. The County Durham Foundation has been a leader in developing marketing strategy and tools (see pages 56 and 57). Other *Time for Growth* foundations have learned from their experience.

Developing the role of the Board

There have been significant changes over the three years of *Time for Growth*. More or less all the Boards have recruited new Trustees and said “goodbye” to old ones: *“Trustee recruitment has been a major factor in energising the fundraising enterprise”*

stated one community foundation. All have engaged in a process of Board review and development and this is scored as a significant strategic activity.

Achieving the funding for *Time for Growth* required the applicant foundations to demonstrate Board involvement in the process of developing the application and commitment to the requirements of the programme. In the first year evaluation report, it was noted that *“without a very ‘hands on’ Board engagement, success in fund development will not be achieved. Board members have to be willing to ‘make the ask’ as well as open doors for the Director. Board members also need to review their commitment to being donors to their foundations ...though not all of the recipient foundations thought that this was either important and do not see it as a priority. Having an identified group of Board members leading the strategy and planning for fund development was however seen as crucial”*. By year two, the role of the Board in fund development and the commitment and engagement of Boards to the task of fund development had become more firmly rooted in all of the foundations, particularly in terms of opening doors and in securing deals.

Board members are ambassadors for the foundation and need to fully understand its role and operations to be able to play this role. An increased energy on the part of Boards for this role was being seen and foundations increasingly provided Board members with promotional materials and briefings to enable them to play this role effectively. A number of foundations had reviewed and revised their Board operations; many had set up specific Development Committees with *Time for Growth* as the key item, and all see the issues involved in achieving sustainability, both of their foundations and the growth that will have been achieved through *Time for Growth*, as central to their agendas.

Board awareness of their performance and regular Board review processes were increasingly seen as important in developing well functioning and engaged Boards, and part of good governance – away days were being increasingly used by the foundations.

The background of new Trustees has also changed in many foundations and this has also changed the culture and vision of the organisations: *“Recruiting entrepreneurs as Trustees has also fostered a level of optimism, injected a factor of relative youth (Trustees in their 40s/50s) and developed an increasingly can-do attitude more akin to community foundations in the USA”*. As noted elsewhere in this report, South Yorkshire in particular is aiming to ensure that its Board reflects the diversity of the communities in its area of operation. To enable this, it is changing its constitution to provide for time-limited trusteeship and also to remove its current two-tier system for Trustee appointments.

In the final year of *Time for Growth*, all of the foundations report that most, if not yet quite all, of their Trustees are giving to their foundations. One of the foundations notes that all Trustees are expected to become Life Friends of the foundation and a number of the Trustees in this foundation have set up funds for their company or as individuals within the foundation. One or two do note that their Trustees could give more – but in general the scepticism on this issue, which was there at the start of *Time for Growth*, has diminished. It could be suggested that there is a causal relationship between the increased engagement and commitment of the Boards and the financial contribution that Board members are now giving.

Learning How to Market the Foundation Successfully: The Story from the County Durham Foundation

Gillian Stacey, Chief Executive

County Durham Foundation had already realised that its approach to endowment fundraising, although successful, was not consistent and was very much reliant on what we called 'boom and bust' campaigns. As Chief Executive, I wanted to achieve a much more structured and professional approach to our fundraising, which allowed us to try different approaches at different times, rather than put our energy into one strategy, that at the time had as much chance of failing as succeeding. Quite honestly, the Board and I were also fed up at running ourselves ragged with little results for the effort.

We had already spent a lot of time developing our management systems for grant making, which were being implemented during our first year of *Time for Growth*. I wanted to translate this approach to our marketing and donor development. Like many community foundations, we originally started off with lots of different potential donor (and existing donor) lists, all held on different spreadsheets. Initially, DIGITS was not a useful contact database for fundraising, and we investigated a number of other databases, our favourite being Raisers Edge. We very nearly bought this, until common sense made us consider working with CFN to further develop

DIGITS. The result, which we have just received and are piloting, is a comprehensive contact fundraising database with events module, targeted lists and action prompts. Although we are only just starting to see the results of this work, it was worth the wait.

We have constantly reviewed our marketing strategy and its delivery. In year two of *Time for Growth* I reached a brick wall – both in our approach and thinking. After holding a successful garden party, hosted by our new Chairman and then mailing what we felt were our best ever materials to people, we were at a bit of a loss on how to continue to contact people in the most effective way. They'd literally had the cake, eaten it and weren't rushing back for more. I didn't want to keep writing letters and holding events that had such a low response rate and felt that there must be a better and more consistent approach that we could follow. I couldn't work out how to co-ordinate all of our activities, and which ones we should be doing. I realised that I needed help and looked to external trainers and consultants to see whether a course would be the answer. Nothing seemed to fit the bill until I attended the DSP (a marketing consultancy organisation) workshop at CFN's Milton Keynes Conference. It was like the penny had

dropped and I found Robert Clay one of the most inspiring people I had ever met. I quickly enrolled myself and Mel, then our Development Manager, onto their Quantum Business Leap course. This course helped us to understand why what we were doing wasn't working that well. If you want people to donate to you, you have to understand why they would do this and then use this knowledge to target your marketing activities in an effective and structured way. DSP don't tell you what to do, they tell you how you should be thinking. Most of our activity had been focused around what we wanted as an organisation and what we thought was important to tell people – what this course made us rethink is how we appeared to our donors, and what they wanted.

I learnt more about applied marketing techniques in three days on this course than I had done in six years at the community foundation. What was good, but unexpected was that we found that we were doing a lot of things right, but that we were not doing them consistently enough or were relying on one or two strategies to achieve

results. The course was very practical, and allowed us to build an approach specific to our business. Both Mel and I reckon that applying this knowledge has saved us years of wasted effort.

So what was the secret to DSP's approach? In short:

- understand your message and develop a clear and appropriate unique selling proposition
- target the right people – and use the appropriate method of contact (often for community foundations that will be peer or Trustee initial contact)
- make your contact with them personal – and develop a contact matrix to map out your activities
- use referral systems and mechanisms for prompting repeat business
- think about delivering a quality customer service through every aspect of your business operation, and ensure that everyone understands your approach and why they need to give their best
- try several marketing techniques, and test your approaches to understand what works and what doesn't

- ensure that your marketing plan is multi-layered, and not just reliant on one approach.

Attending a course is one thing, but putting it into action is quite another, and in a hectic and busy schedule it has sometimes been difficult, but the results have spoken for themselves. We signed up with DSP for ongoing support, and this was essential to making us do the work we said we would. So far we have amended our marketing materials, adopted a clear invitation and follow up strategy to events, changed the way we communicate with people and even changed the way we speak to our donors. At the start of *Time for Growth* we had £2.2 million (actual and pledged) in endowment, at the time of writing this we have over £7 million – with a number of other funds in the pipeline. It wasn't huge change, but it made all the difference to our results. And most of this has happened in the last year.

Board members have become involved in many more activities, from away days and self-evaluations, to succession planning, to marketing reviews, task groups and “buddying” groups, as well as directly in fund development activities and using their contacts. Boards are now directly connected with the strategic and business planning process, thereby taking real ownership of the plans.

Most of the Boards have changed the way they operate, setting up working groups and sub-committees with delegated powers, revising their agendas (including the introduction of consent agendas) and managing their time better. Boards do need to be aware of the need to balance their governance role, in relation to being charities, with their developmental role, and annual Board performance review, which has not yet been adopted in most foundations, would assist Boards in looking at how they achieve this balance. Further work needs to be undertaken at a national level on appropriate tools to assist Board performance review. As one Chair notes: *“Time for Growth helped our Board of Trustees become stronger; working together effectively and governing a professional, successful, focused, respected charitable organisation able to make a real difference in our community. I was also looking for other measurements; the mood of our Board meeting; is this something we all want to be part of? Do we have future Trustees waiting in the wings? Do we enjoy being Trustees of the foundation? I certainly have, and will enjoy my continuing involvement in the foundation’s work.”*

Role of the Chair

The role of the Chair as a leader is crucial. In year two, Chairs showed themselves becoming aware of this role, and in developing good Board engagement and also undertaking key tasks in promoting the foundation and in their direct involvement in activities. During the course of *Time for Growth*, most of the foundations experienced a change of Chair, whilst for one or two, a change is now imminent. Some of these changes were due to retirement at the end of the defined period as a Trustee; others were as a result of the Chair and the Chief Executive recognising that different skills were needed: *“We have always struggled to identify a Chair that has the right credentials and a willingness to become involved in endowment building.”*

This is such a key role and as such, the kind of skills needed in a Chair in a particular area need careful consideration.

Essex’s experience demonstrates how Boards have developed during *Time for Growth* (see opposite).

Focus on Board Development: The Essex Community Foundation Experience

Laura Warren, Chief Executive

We were set up in 1996, so by 2002 the original Trustees had served their full term, and although we had had a retirements and appointments policy, it was clear at that time there was no one currently on the Board ready or able to take on the role of Chair. The founding Chairman extended his year and the Board reviewed its approach to Trustee succession, putting in place a Trustee selection process involving an interview panel with Trustees working in pairs approaching and meeting with prospective Trustees. This process is now embedded into our ongoing programme to identify and recruit new Trustees. In 2002, it identified that the person most qualified, experienced and enthusiastic about Essex Community Foundation was a previous Trustee who had stood down after his maximum time. He was appointed Chairman and our founding Chairman became President and continues to work with high wealth individuals. These appointments recognise the time it takes for Trustees to understand the complexities of a community foundation and for any one Trustee to have the confidence to lead the organisation. For the first time a

Deputy Chair was appointed to strengthen the leadership at Board level. The new Chair has met each Trustee for a skills audit and we are using that information to plan further recruitment to ensure that we have the balanced board that we need.

It is important to keep staff and Trustees motivated and engaged with the progress of our endowment building. Our activities and results are communicated to all Trustees through various means. The agenda of every Board meeting, which works to a consent agenda, allows the first hour to look at *Time for Growth* progress. This approach will continue to keep endowment building within their sights as we all look at the progress of our rolling Business Plan, which has an ambitious programme to continue to raise our endowment. When *Time for Growth* began, all Trustees were involved with fund development, which was useful in raising awareness of the principles of endowment building and in recognising its fundamental importance to the role of a community foundation. Now that endowment building is

recognised as a core activity for the foundation, the Board has decided to establish a Fund Development Committee with the responsibility to focus on the implementation of our Fund Development Plan and report to the Board on its progress. A quarterly report from the Chief Executive fills out more details and we do send good news via emails to all when a sizeable donation is secured, i.e. £10,000 and over. It was particularly rewarding to report the setting up of a £100,000 family fund thanks to a professional adviser introduced to us by a Trustee who was very unsure that he could bring in significant donors.

We have also learnt of the importance of increasing the knowledge and understanding of our Board in what we do and how we do it. We hold an annual reception with around 100 guests, to which we invite donors and potential donors, and our Chair gives a very short, informal talk about what we are doing. Key to this evening is the presence of voluntary organisations to whom we have awarded a grant. We ask three of them, ideally from the

Continued on page 60

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client group, to speak for three minutes about the work of the funded organisation. Many Trustees see this as our most powerful event because it shows what we can offer our donors – a route to making a difference to local people. Some Trustees also lead on grants panels and they enjoy reporting back on community involvement and need. This helps them to make the case as an ambassador.

A very positive away day at the start of *Time for Growth* had the Board looking at how best all Trustees, including five new ones, could engage and take ownership of the *Time for Growth* plan and take the necessary steps to achieve its success and build our endowment. *Time for Growth* forced us to think in a different way. We accepted the *Time for Growth* target of £2 million of new endowed funding but that only became real when we broke it down into smaller amounts, and importantly when we identified the kind of donor we should be targeting. Working in small groups on that first away day revealed an approach which suited our Trustees; they formed themselves

into buddy groups addressing specific target groups; i.e. high wealth individuals, companies, charitable trusts, professional advisers and marketing. They worked on their own initiatives, meeting in twos and threes usually in pubs/over dinner, and kept the staff informed of outcomes and of donor contacts. The marketing group was probably the most active as all the Trustees were demanding more marketing materials to help them make contact. The Board now accepts that the foundation has to invest in a reasonable marketing budget – this is now a recognised area of expenditure.

This working group style – geared to a specific, time limited piece of work – has proved to suit many of our Trustees and we have extended this approach into other areas of foundation activity.

However as time progressed, it was not unusual to hit lows when no progress seemed to be made. That probably explains why the following year's away day was less satisfying. Few new ideas came forward, which should have given us the confidence that we had the

right agenda – it was seemed very difficult to achieve the targets within our timescale. But the Trustees recognised the pressures and that disappointment probably equipped them to develop a stronger and more realistic business plan to follow on *Time for Growth*.

Our new Chair has led the planning process, which has involved every Trustee. The fact that we will continue with a very ambitious programme, and increased fund development resources to further increase our endowment over the next three years is a testimony to how committed the Board and staff are to increasing the endowed funds that we have available to address issues in our local community, in perpetuity.

6.5 Using specific techniques to build endowment

Using a challenge

Five of the foundations have used or tried to use this approach – one foundation is running a challenge in a specific local area and sees it as a useful tool, which can give momentum and can raise profile. This foundation, however, suggests that longer-term strategic relationship building can be more powerful. One foundation tried unsuccessfully to find a major challenge donor and feels that a lot of time went into this search, and it is likely to have affected their other initiatives during the early part of *Time for Growth* and to have led to a slowing down in their endowment growth. This does raise the issue of balancing the time and resources needed to both find a challenge donor and then set up and run the challenge against the general building of relationships with donors, which may be more valuable in the longer term. However, the first foundation to achieve its £2 million target, Derbyshire, did this in spectacular fashion, with a challenge that had to be completed in eighteen months.

Many of the donors to the Derbyshire challenge were stimulated by its “all or nothing” nature and it clearly motivated people, but as this foundation notes, many did not give until the challenge had reached the 80% mark – they wanted to back a winner. What was also key to the challenge was the influential position held by the Challenge Chair, who had a range of important contacts and was seen by many in the community as someone whose influence was significant. This experience demonstrates that it can be valuable to run a Challenge. The timescale is important – in Derbyshire’s case, it was a race to achieve within the time. However, another foundation noted that in the past, a challenge that is more open-ended tends to have momentum at the outset, but then risks trailing off. The risks are, as both Derbyshire and other foundations have noted, that the resources needed to run a successful challenge may detract from longer term strategic relationship building, with both donors and with other target groups such as professional advisers.

Networking and other contacts

Of major importance in fund development is the use of the networks of Board and donor contacts, which has been referred to above. Small events for potential donors are seen as more useful than large events and are also seen as important to “set the scene” but not necessarily as a place to ask for money. Attendees at events need to be followed up, on a one-to-one basis, to determine their interest in and possible commitment to the foundation. For larger events, one foundation now aims to have all such events covered by sponsorship, to limit the number each year, and to ensure that these are events which are likely to raise substantial sums and give access to a pool of potential donors.

Tapping in to other networks has a more mixed response. As one foundation noted, developing a network of professional advisers has not been as successful as they had originally hoped. Additionally, taking part in events organised by other organisations, even by existing donors, did not score highly as a valuable activity. In particular, attending events such as county shows, or taking stands at such events, was seen by most foundations as “a waste of time”. The clear advice is for a very selective approach, only attending events where there is an opportunity to mix with donors and potential donors. The one exception is attendance at events organised by existing donors, where a repeat donation is being sought.

Achieving a Challenge: How Derbyshire Community Foundation Did It

Hilary Gilbert, Chief Executive

Between 2003-04 Derbyshire Community Foundation (DCF) had an amazing couple of years in which our assets quadrupled. Did someone wave a magic wand? No! It was very hard work, but we're delighted with the result. Here's what happened and what we learned.

Background

DCF started life in 1996. We cover our whole county of one million people in central England, and its major city of Derby (population 250,000). The area has great potential for a successful community foundation: we reputedly house the UK's largest concentration of millionaires in our beautiful national park. But although modern philanthropy was born here in the Derwent Valley with the industrial revolution, the tradition seemed to be dying away: when DCF started life, Derbyshire residents received per capita the lowest amount of charitable grants from private sources of any county in England.

Kick-started by a small but vital grant for core costs, our foundation grew well: thanks to a visionary, hard-working and generous Chairman we achieved our first aim of raising £1 million ahead of the Millennium. Donors included a range of individuals, both successful entrepreneurs and members of old

county families; and companies, from household names like Rolls-Royce, headquartered in Derby, to more local businesses. There followed a period of organisational development with a focus on grant making. With several new contracts to make grants for other agencies, a regional Community Foundation Development Project, and a legacy to run a new fine art award, in early 2001 we grew from having one and a half staff to having eleven.

The Challenge

In mid 2001, when DCF was already growing rapidly, something remarkable happened. A local donor, who still guards his anonymity, promised that if we could raise a further £1 million for our endowment fund, he would match it. But there were conditions: we had to do it in eighteen months, and we had to raise the whole million – anything less would not secure the match. We were both excited and daunted by this Challenge. Fortunately we secured a grant from Community Foundation Network's *Time for Growth* programme funded by the Esmée Fairbairn Foundation. This gave us an extra pair of hands and a small marketing budget as, after six months' groundwork, we launched a public campaign to raise £1 million in a year.

By June 30 2003 the champagne corks were popping as we celebrated adding £2 million to our assets.

What had we learned? The campaign confirmed many things we already knew. The most important was that 'people give to people': every significant gift came from someone with whom we already had a relationship, or who had been referred to us by an existing supporter. Quality of leadership is critical: we were very fortunate in the popularity and influence of the couple who led our campaign.

Of new donors we approached, not one responded to 'cold calling' – that is, an approach without introduction from a friend. It confirmed that the only way to attract endowment is to make personal approaches, and that Trustees must be there: wealthy people in the UK respond to requests from their peers, not humble charity workers like me!

Large scale approaches to fundraising in the community (events, raffles etc.) proved ineffective: they raised our profile but brought little money.

Working with professional advisers (accountants and lawyers) lays great foundations for the future, but didn't deliver short-term returns.

In the UK, public sector funds can now be looked to as a source of endowment under certain conditions (i.e. retention of community foundation independence; coinciding agendas). We were very surprised by the breakdown of funds we raised: 66% came from public sector sources, 33% came from corporates, and not one major fund (i.e. over £20,000) – except that of the donor himself – came from a private individual.

We learned more. Our campaign was very cost-effective, with an 11:1 return (or 22:1 counting the match) – but that lean, mean bottom line was bought at a high personal cost to those of us on the front line. Pressure was acute: the average lead time for securing a big gift in the UK is 18-36 months, so there was no margin of error – and if we failed we would lose £1 million for communities in Derbyshire.

Fundraising is a game of chance. Our results were so unpredictable! There was no visible relationship

between good planning, hard work and success. Some big gifts resulted from chance meetings and little work. Others fell through after months of hard work even though they seemed to be 'in the bag'. We had to work tirelessly to create as many opportunities as we could in the hope that just enough of them would deliver the goods.

The external environment need not affect fundraising success: our campaign ran alongside at least four other major local public campaigns, some making a more direct appeal to public sympathy. The stock market could hardly have been less helpful, but we still hit our target.

Achieving our £1 million target and the matching million with a staff team of one and a half people in eighteen months still feels like a small miracle. Though my feet are now firmly back on the ground, I believe secretly that when the quantum physicists have finished redefining how the world works, DCF's Challenge campaign may provide early evidence that divine intervention is possible after all.

Three foundations have reported that they have specifically networked donors, but the creation of donor circles has not been a feature of *Time for Growth*. Again, this is very much determined by the culture of giving in the UK noted earlier in this report.

The usefulness of using the local media has been questioned. It is seen as creating demand rather than supply and has been primarily used to promote the role of a foundation as a grant maker. It was noted, though, that life-style magazines and business journals are more useful than other types of media and that printed articles can be copied and used with potential donors. Major PR campaigns were noted to be expensive and not necessarily as useful for fund development as improved marketing strategies and techniques.

Linking grant making to fund development

The key linkage of grant making expertise and demonstrating the difference that grants make to donors (both current and potential) has been a new development for some of the foundations.

Although this may seem obvious, making the organisational linkage, as a number of the foundations have noted, may require a change of culture within the foundation. To ensure integration of the two functions is important. One of the things that *Time for Growth* funding enabled foundations to do was to separate Directors from “hands on” grant making to free them up for endowment development, but this also required that new systems and approaches to tasks were needed to ensure appropriate linkages. All of the foundations became aware that being able to show to donors what their money can do leads to better donor responsiveness. “Seeing is believing” visits, which included Trustees, existing and potential donors were seen to make a difference. One of the foundations undertook a specific initiative in identifying groups which match private or corporate donor interests to encourage further donations from these donors. Identifying case studies or producing specific community profiles that are relevant to a donor’s interest, either by issue or geography, has also been important. This relates to the foundations becoming more donor needs focused, both in understanding the donor’s needs and also in providing better feedback to donors as to how their money is being used. Even as the foundations move to position themselves with a higher donor services profile, the actual work undertaken on grant making is fundamental to success and resources need to be balanced for both sides of a foundation’s work.

7.

Key drivers for change and growth

This chapter identifies the key drivers for change which can be identified from the cumulative experience of the ten foundations, and which could provide some pointers as to the strategic direction that foundations wishing to achieve fund development objectives need to take.

As part of the final year evaluation, the foundations were asked to consider twelve drivers for growth and change, to score them for 'significance', and to rank them for 'importance' during the *Time for Growth* period. 'Significance' was seen as the factor being a key part of the strategy direction of the foundation, whilst 'importance' reflects the contribution of the factor towards the achievement of fund development.

The factors were identified from key indicators of change drawn from the three years of the evaluation. They are shown in Tables 4.1 and 4.2, later in this section. The community foundations were also asked if there were other factors, not included in the list provided to them. One or two foundations did identify other factors. These were:

- change in focus of the organisation
- change in awareness of opportunities for major endowment gifts (which could be included with change in focus on fund development)
- change in type of Trustees recruited (which could be subsumed under changes in the Board)
- the way in which the sharing of information and experiences with the other *Time for Growth* foundations enabled focus to be maintained, and the monitoring and evaluation, which ensured the foundation stayed on course.

These additional factors have not been included in the analysis, but do provide other pointers to change.

Divergence of opinions?

It was expected that there would be a wide divergence between the foundations on these issues. It was also expected that there would be a difference between the significance and the ranking. There was a spread of views, which reflected, to a large extent, the differences between the foundations. To try to obtain some idea of the "hierarchy" of change drivers, two types of average – the mean and the median – were calculated. The median is important in reflecting the divergence of scoring and ranking

between the foundations; the mean enables us to see the positioning of specific factors more clearly and therefore to develop a hierarchy of importance.

Tables 4.1 and 4.2 below show the scorings, and charts 4.1 and 4.2 display this in a more graphic format and show a little more clearly where there is a divergence between the mean and the median. There is more divergence on importance than there is on significance.

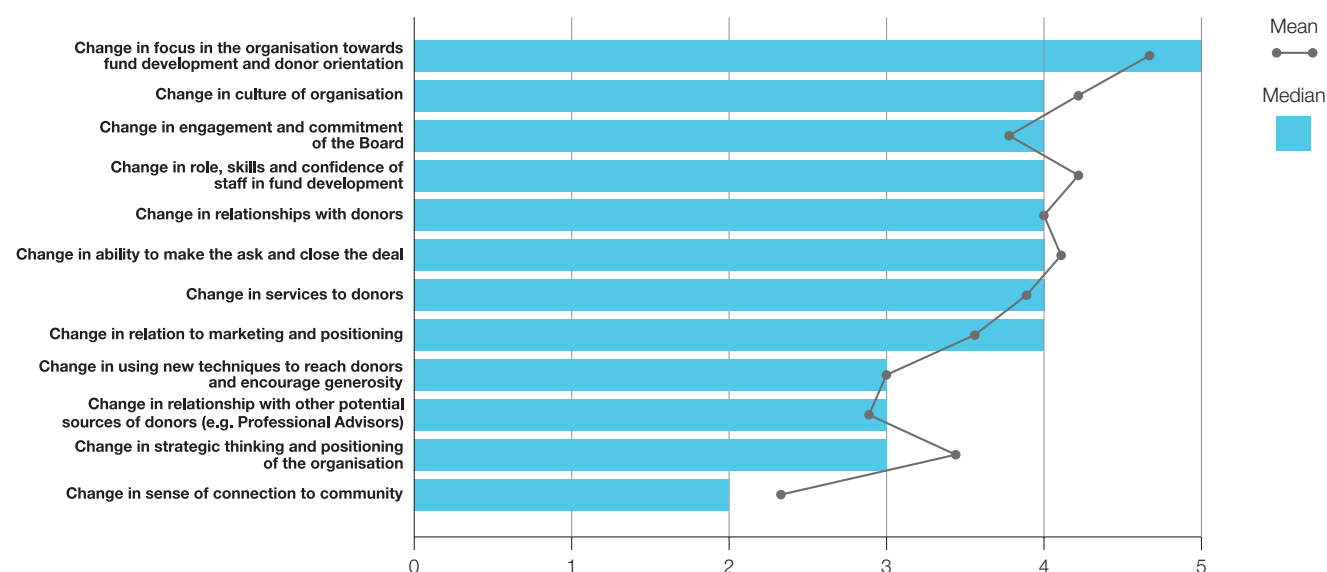
Table 4.1 Significance sorted by median

	Median	Mean
Change in focus in the organisation towards fund development and donor orientation	5	4.67
Change in culture of the organisation	4	4.22
Change in engagement and commitment of the Board	4	3.78
Change in role, skills and confidence of staff in fund development	4	4.22
Change in relationships with donors	4	4.00
Change in ability to make the ask and close the deal	4	4.11
Change in services to donors	4	3.89
Change in relation to marketing and positioning	4	3.56
Change in using new techniques to reach donors and encourage generosity	3	3.00
Change in relationship with other potential sources of donors (e.g. professional advisers)	3	2.89
Change in strategic thinking and positioning of the organisation	3	3.44
Change in sense of connection to the community	2	2.33

NOTE: Median: the median is the mid point of the class of data

Mean: the cumulative scores divided by the number of responses, to show a standard, against which comparisons can be made. These factors have been sorted by the Median in Table 4.1 to show their ranking and by the Mean in Table 4.2

Chart 4.1 Significance: Median and mean

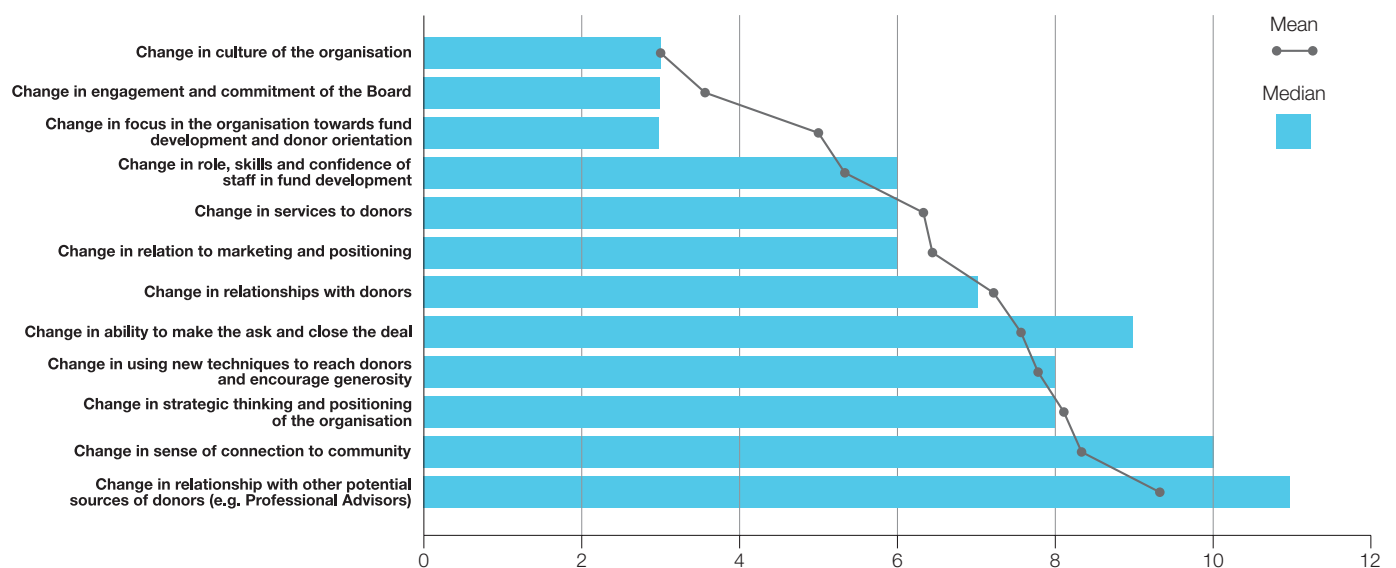


Divergence was to some extent expected, and would reflect the different environments in which the foundations are operating. However, it was hoped that at a result of *Time for Growth*, there would be increasing convergence on the factors which are most important in driving change and growth. The only factor, in fact, on which there was wide divergence was on the importance of community connectivity, which was ranked in first position by one foundation and in second position by one other, but was also ranked twelfth in importance by four of the foundations.

Table 4.2 Importance sorted by mean

	Mean	Median
Change in focus in the organisation towards fund development and donor orientation	3.00	3
Change in engagement and commitment of the Board	3.56	3
Change in culture of the organisation	5.00	3
Change in role, skills and confidence of staff in fund development	5.33	6
Change in relation to marketing and positioning	6.33	6
Change in services to donors	6.44	6
Change in relationships with donors	7.22	7
Change in strategic thinking and positioning of the organisation	7.56	9
Change in ability to make the ask and close the deal	7.78	8
Change in using new techniques to reach donors and encourage generosity	8.11	8
Change in sense of connection to the community	8.33	10
Change in relationship with other potential sources of donors (e.g. professional advisers)	9.33	11

Chart 4.2 Importance: Median and mean



The top four factors for growth

What emerges are four top factors for both significance and importance:

1. change in focus in the organisation towards fund development and donor orientation scores in first place in terms of both significance and importance
2. change in engagement and commitment of the Board is second in terms of importance and third in terms of significance during *Time for Growth*
3. change in the culture of the organisation is third in terms of importance and second in terms of significance
4. change in role, skill and confidence of staff in fund development is fourth for both significance and importance.

The findings from the evaluation over the past three years and all of the points noted in this report would also indicate that these are four key factors in positioning community foundations for fund development. Without an understanding of the processes involved in these four areas, success in development is less likely.

Other significant factors

This is not to suggest that other factors are less significant. Change in relation to marketing and positioning, which has made a real difference in the strategic way the successful *Time for Growth* foundations have secured their target endowment, averages at number five in terms of importance. However it is only appears as eighth in terms of its significance. Strategic thinking and positioning of the organisation is however of less significance than a change in focus of the organisation towards fund development – it scores low as a significance factor (in eleventh position) but is ranked in eighth position in terms of its importance.

Change over the *Time for Growth* period

Was there a change over the period of *Time for Growth* in relation to these factors? In reviewing the whole period, there was an awareness on the part of the foundations at the beginning of *Time for Growth* of their weaknesses. These included the commitment and engagement of the Board, marketing, work with professional advisers, and developing more donor focused services. The main strategic repositioning had taken place as a result of development plans being required as part of the application process for *Time for Growth* funding, which could be one reason why changes in strategic thinking does not have a high significance as a change factor during *Time for Growth*.

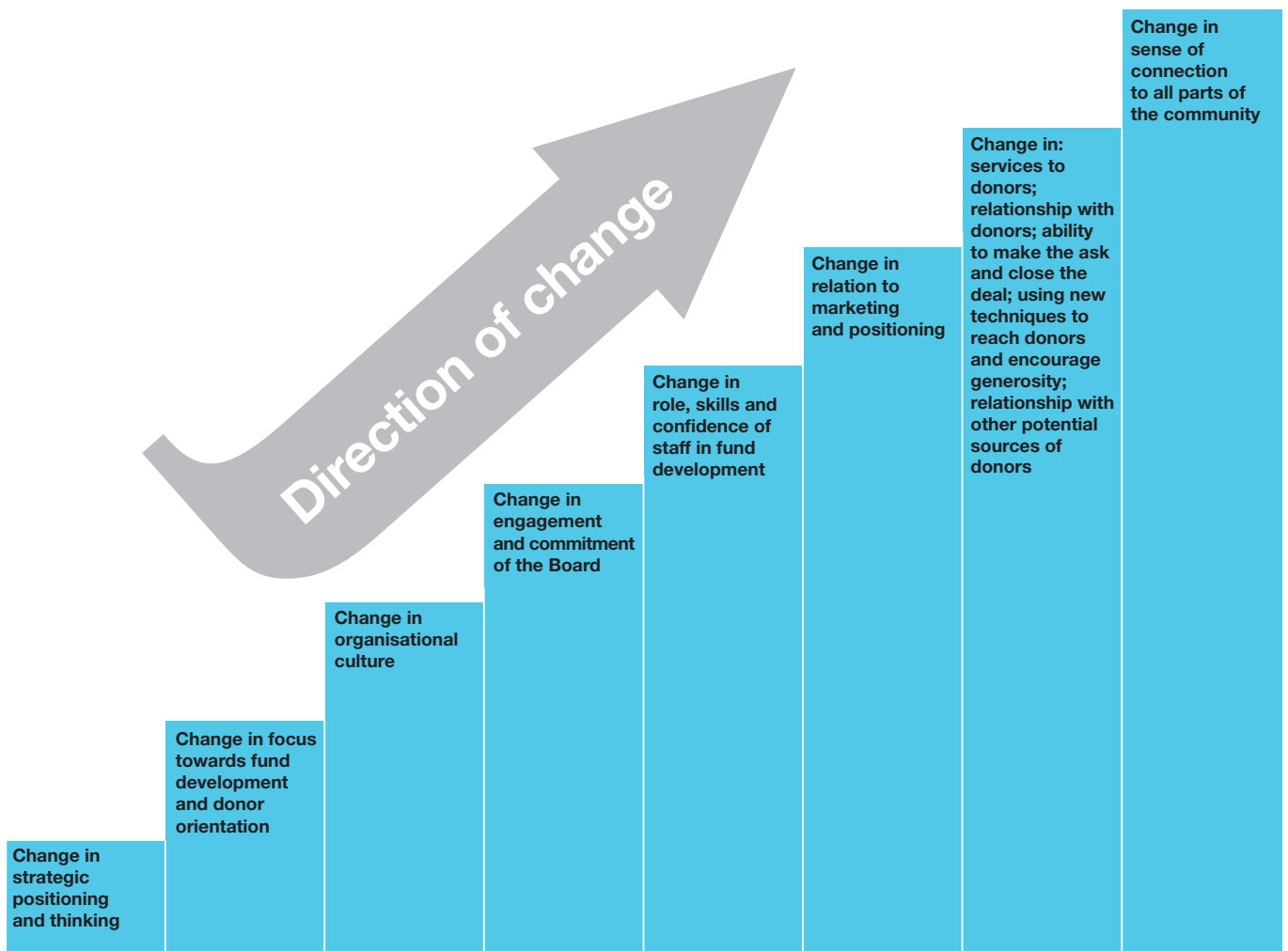
Developing closer links with professional advisers in particular was however high on the agenda for most foundations – and for several of them, whilst a useful part of the development strategy, developing such links was not as significant as might have been thought. Providing effective donor services, and thereby being able to demonstrate to professional advisers the benefits for their clients, has shifted to become more important than just improving links with advisers. Providing donors and potential donors with a good track record on investment, even in a period of stock market uncertainty, and good grant making mechanisms, have become as important as demonstrating what can be done to meet needs with the donor's money. This is a change in relating more closely to the donor's needs.

A significant shift is probably in relation to changes in the sense of connection to the community. At the outset, this was seen as an important factor by most foundations – however, as the focus on donors has increased, the importance of this factor has declined. This is not to suggest that this factor is not at all important, but it is likely that in many parts of the UK, outreach to potential donors, particularly those of high net worth, is less significant than providing high quality donor services. However, it is clear in Fermanagh that this is a significant issue, as their case study shows. They rated this as the second most important factor in their growth.

The steps for growth

Re-strategising within foundations going for growth is, however, likely to precede a refocus on fund development. If these factors were reordered to give the steps for growth and change, changes in strategic thinking and direction would be a first step, within which the focus would need to be on orientating a foundation towards fund development. The diagram 4.3 that follows demonstrates the steps that are needed to enable change and growth to occur, drawn from the priorities identified by the ten *Time for Growth* foundations, extrapolated from the significance and importance rankings.

Chart 4.3 Steps in the change and growth process



8.

Changes as a result of *Time for Growth*

Whilst the previous chapters looked at the activities that *Time for Growth* foundations were engaged in, and the drivers for change, this chapter looks at the actual changes that occurred as a result of the programme.

These changes have been clustered as follows:

- changes that have tackled weaknesses within the community foundations at the start of the programme
- changes that Esmée Fairbairn Foundation hoped for as outcomes from the programme
- changes identified as a result of looking for the drivers of change in the final year of the evaluation.

The most obvious change is in the levels of endowment that each of the foundations have now developed and the fund development base that they have laid for further significant growth over the next few years. However, beyond this financial bottom line, there are a number of real changes in the *Time for Growth* foundations, which have become evident over the three years of the evaluation.

8.1 Identified weaknesses at the start of *Time for Growth*

The first year of the evaluation of *Time for Growth* identified a number of weaknesses that were common to all the community foundations:

- a) the development of messages in marketing and PR were weak and not always systematic
- b) issues in balancing grant making and fund development
- c) there was a weakness in relation to maintaining structured contact with donors and having appropriate systems to support donors (all but one)
- d) there was a narrow donor base – both in range and numbers
- e) there was a low profile and lack of consistent approaches with professional advisers (all but two)
- f) there was also a need for governance reform in some of the community foundations and a general need for greater engagement of the Boards.

All of these were identified as key issues for fund development. So what has happened?

a) Focus on marketing

The focus on and increased understanding of the role of marketing and the development of marketing strategies has been a significant development. All of the foundations are now aware of the importance of marketing and all but one have developed new marketing materials and products. As a result, the positioning of the foundations in relation to their key potential donor markets has improved significantly.

Increasing PR

Creating a higher general profile and generalised PR has now in the main been seen to be less relevant for fund development as *Time for Growth* has proceeded. Again, having the right profile with the key targets for donations has become more important. This again relates to the deeper understanding of marketing by the ten foundations. Specific evaluation has not been undertaken to see what the profile of these foundations now is in their communities, not least because this is seen as less relevant than the profile that the foundations have with current and potential donors. Recognising generosity has also been understood, though as one of the foundations has noted, the wish for anonymity on part of some major donors does not help with profile raising work.

b) Balancing between fund development and grant making

All of the foundations have reviewed the balance of their grant making and fund development activities. All have ensured that good linkage is made between the two, seeing the synergies between these areas of activity. Freeing Chief Executives to focus on fund development and also the recruitment of specific fund development staff has demonstrated that this cannot be a “part-time” role but needs a committed resource. Several of the foundations now have real Board commitment to this understanding, with resources being found to continue and develop the specific focus on fund development. However there are still some tensions for some foundations between managing flow through from government programmes (and the demands that this entails) and resources for other activities, including donor services and fund development.

c) Becoming donor service oriented

All of the foundations are positioned to see themselves more as donor service agencies, have thoroughly reviewed their donor service functions, and are implementing much improved donor support systems. They have become more flexible and responsive and have increased the range of products that are on offer to potential and current donors. The key importance of providing good donor support is recognised by all of the foundations. All understand significantly more about donor and potential donor relationship development. One foundation significantly noted: *“The focus on donors and investments now ‘marries’ the focus we once had on local need. This key shift in our thinking has enabled us to get the message across on endowment and sustainability”*.

d) Expanding the donor base

For all of the foundations, the donor base has expanded, both in range and numbers, but probably not as significantly yet as might have been hoped. Some of the foundations have been significantly more successful than others. The focus on building donor relationships and the increased understanding of marketing techniques as a tool for building new donors will in time no doubt enable this. Balancing the need to achieve the challenge within the three years (sometimes trying to find the “quick wins”) has to some extent impeded “going for breadth” in relation to donors. However, the base has been built in all of the foundations.

e) Increasing professionalism

There is an increased professionalism in all of the foundations and this goes along side changes in culture, which have impacted on both staff and Boards. They can now view themselves as the “professional advisers in philanthropy”. As one of the foundations noted in the second year of the evaluation: “*Time for Growth has turned the community foundation from a well-intentioned but not very professionally run organisation into one where staff collectively and individually know what they are about and this has also happened in parallel for key Trustees.*” This has also assisted significantly in building relations with professional advisers.

f) Developing the Board

All of the foundations have been involved in governance reform and development and this is one of the most important aspects of change. The increased commitment of their Boards and the greater understanding and ownership of fund development has been critical, even in those foundations who have not yet achieved the target – endowment is now seen as core business within the foundations. Boards are also more aware of their role in opening doors to their contacts and being actively engaged in the fund development process. As one foundation noted: “*Before Time for Growth, the Trustees saw fund development as the realm of the Chair and the Chief Executive.*”

8.2 Other areas of change

Other areas of change which were not specifically identified as weaknesses at the outset of the programme have also been seen during the three years of the programme.

Developing skills and expertise in the foundation

There has been a change in the understanding of the skill mix within the staff team and the need for specific expertise, for instance in fund development and gift solicitation, marketing and donor services. Several of the foundations have discovered that it may be necessary to change personnel to ensure the right levels of expertise. They have also changed in relation to developing proactive approaches in their Development teams and staff, rather than reactive ones.

Focus on sustainability

There is now an increased focus on longer-term sustainability and an optimism on the part of most of the foundations that this can happen. All of the foundations are also more aware of the need for strategic thinking and positioning and for being flexible – if something is not working, review why and rethink strategy. Many of them note that they are also moving from a previous “opportunism” to strategy. Most also note though that opportunism still plays a part – a crucial point that has been generally learned is in keeping to the activity targets and prioritising quality approaches to potential major donors. However most are aware of special situations and have learned that one size does not fit all. This links to a much greater emphasis on donor support and responding to donor needs.

A cultural shift

The significance of the changes from *Time for Growth* is recognised by the foundations – giving a new focus; providing the underpinning for sustained future growth; enabling a better understanding of the community in the context of community philanthropy;

becoming more adept and confident at approaching wealthy people; becoming known to the widest range of potential donors in the community; embedding a donor services culture. There has been a significant cultural shift in the *Time for Growth* foundations, which has changed the way they do their business.

8.3 Other hoped for outcomes and changes

Esmée Fairbairn Foundation had identified other possible outcomes from the *Time for Growth* programme. Have these been achieved during the three years?

Developing and sharing learning

Each of the organisations has clearly undergone significant organisational learning. In addition, the results from both the evaluation reports over the three years and specific learning from individual foundations has been spread more widely within the community foundation network. Presentations were been made at the CFN conference in 2003, learning points from *Time for Growth* are on the CFN website, and work that was specifically undertaken on marketing by County Durham has been more widely shared and is being actively used. The *Time for Growth* foundations themselves have taken part in a number of learning seminars for experience exchange.

The community foundation model

What has become clear from *Time for Growth*, and has become particularly clear from the evaluation, is how each foundation has developed its own approaches to its development and each has significant specific characteristics, whilst sharing common elements and the use of techniques. Each is adapted to its local environment and makes use of that environment. In this way, whilst there are a series of core values which underpin what a community foundation is, difference can be accepted. It is also clear that these ten foundations have been able to demonstrate within their local areas what a community foundation is there for. There may, however, be a need for further promotion of the role of community foundations at a national level, and to raise the awareness of key decision-makers at a national level (political, financial and corporate) as to the key role community foundations can play in growing local long term philanthropy.

Board issues

One of the most significant developments has been the increased commitment of the Boards to their fund development role, thereby expanding the governance focus of these Boards. In most cases, the Boards have taken on a leadership role, but *Time for Growth* has also seen the development of the concept of the Board/staff team, working together to achieve the targets. The way in which this has developed certainly has implications beyond community foundations – the point where Boards need to become more “hands on” in relation to the work of their organisations and how this can be planned strategically, whilst keeping a balance with the overall governance role of a Board.

Changed positioning

Clearly, this group of foundations has undertaken some repositioning, particularly in relation to communicating more effectively with potential donors through the improvement of their marketing techniques. However, they have also clearly found that there are benefits in being seen as charities. The two successful foundations, who are

now talking to donors about “charitable donations” to their foundations instead of “fees”, have clearly positioned themselves as highly professional local charities with particular donor service functions, where advantage can also be taken of the tax benefits which accrue to charities. Most of the ten foundations would now see themselves as professionals in the field of philanthropy, but successfully located within a perspective which may be more about social enterprise than the voluntary sector.

Understanding fund development

As this report shows, there is now a significant body of expertise on the range of techniques that make a difference in fund development for endowment. Much of this knowledge has been known previously within the most developed foundations within the UK network, but *Time for Growth* has provided the opportunity for the whole range of techniques to be explored over three years and by a group of foundations working to reach a target at the same time – this has enabled more knowledge about what works and what doesn’t work, and how local circumstances can affect fund development, to be developed.

8.4 Identifying shifts and changes in five key areas

There are five critical areas where changes and shifts took place during *Time for Growth*. This section brings together these key shifts and changes as an overview of the change process.

- 1. Vision, confidence and self-belief** have shifted significantly in the *Time for Growth* community foundations. This is apparent both in the way that Boards are engaged and now view their potential for fund development and in the willingness of staff at all levels to be engaged in new processes. The shifts in culture required to achieve the targets have not been always been easy, but clearly these shifts have happened, or foundations would not have been able to achieve significant new fund development. Even in those foundations which have not yet achieved the target, cultural change has been evident and there is a growing confidence that the foundation for new endowment development has been built. The only exception to this is Heart of England, where the lack of continuity in leadership does appear to have failed to fully root the change culture in the foundation, as yet. The outcomes from the change have been increased professionalism; a more strategic approach to fund development, particularly in relation to using more effective marketing strategies; a better knowledge of their local donor environments; and, most importantly, a real shift in culture towards “making the ask” and getting the deal. As one of the foundations noted specifically (but all could have done): *“We have grown in confidence and in doing so have held firm to the message of endowment”*.
- 2. Resources for and investment** in both people and in systems have made a real difference. The employment of specific fund development staff has been of significance in some of the foundations, but possibly more critical has been the development of the role of the Chief Executive in fund development and the development of their skills in both strategically positioning their foundations for endowment growth and in “hands on” connection with donors and potential donors. As noted elsewhere in this report, three of the foundations have experienced

changes in their Chief Executives. Connecting all staff to the centrality of fund development has also been important – and those foundations which have now involved all staff in training on understanding how fund development relates to their roles have also built cultural change in their organisations.

Changes on Boards have brought in more Trustees with an interest in and commitment to fund development and with new skills. These include PR and marketing, financial skills and local business connections, as well as, particularly in South Yorkshire's case, representatives of key minority ethnic communities in their area. In some cases, Chairs at the time *Time for Growth* started recognised that their skills were not appropriate for the fund development leadership, and only two of the foundations still have the same Chairs who were in post at the beginning. The role of the Chair, working in close partnership with the Chief Executive, has been recognised as a key resource.

3. **The financial resources from *Time for Growth*** were mainly applied to staffing, in both releasing Chief Executives to focus on fund development and in some cases employing specific fund development staff. Other funds were spent on marketing materials and systems updates, particularly to achieve closer operational synergy between grant making and fund development and also to provide better services for donors. As a result of County Durham's work in particular, a new revised DIGITS system is being tried out, which will bring benefits to the whole network. Websites were reviewed and developed by a number of foundations, but as some commented, these tend to attract demand for grants. However, the development of password accessed sites specifically for donors has been successful for those foundations that have established them.

It is also clear that *Time for Growth* provided a three-year period of stability for the foundations, enabling the concentrated focus on fund development. The investment of £1 million by Esmée Fairbairn Foundation has nearly achieved its 20 times increase; but more significantly, the investment has significantly changed ten community foundations in the UK and has contributed new learning on approaches to fund development.

4. **The human factor in relation** to developing links with donors has been critical. All of the foundations have shifted in their understanding that it is through personal contacts that the most useful approaches are made and the success of an approach to a potential donor assured. Many of the case studies in this report illustratively this graphically. This has been a key shift – with some of the foundations now entirely discontinuing cold approaches to either businesses or individuals, which they were doing at the start of *Time for Growth*. Another shift here has been through the greater engagement of Boards, in their willingness to identify their contacts, to make initial approaches to them, and to follow these up. The greatest successes were seen to be where a Trustee joined the Chief Executive in a meeting with one of their contacts; less success was recorded where the Chief Executive or Trustee went alone for an initial visit. As one foundation noted, despite materials being developed for Trustees to use with their contacts, these were not generally much used, as the personal approach and a more tailored package was more valuable.

5. Finally, did the position of the community foundations shift in their communities as a result of *Time for Growth*? All aspire to be leaders on philanthropy in their communities and most would suggest that as a result of *Time for Growth*, they are achieving this position and are being seen as the vehicle of choice of philanthropic investors.

The fact that some of the foundations have been able to position themselves to take over significant charitable trusts, thereby building not only greater endowment in the short term but also an environment where other independent trusts within their areas may consider the increased effectiveness of pooled funds and community foundation administration of their funds, also shows how their position has shifted.

During the second year of the evaluation, several of the foundations noted that a success factor they would identify from *Time for Growth* would be their positioning as an independent, trustworthy, responsible, professional and sustainable organisation in their operational area. All of them have achieved, or will achieve, this goal.

9.

The learning from *Time for Growth*

This chapter brings together the key learning from the programme and the evaluation.

Building the base for future achievements

Although three of the foundations did not achieve the £2 million target within the three-year period, it is also clear that the groundwork that has been laid will contribute to future success. One of the non-achieving foundations is now confident that the target will be achieved shortly, although not within the *Time for Growth* time-frame. The time-frame within which the targets were to be met was acknowledged to be relatively short, given that relationships with donors takes time to build. As one foundation suggested during the first year of the evaluation: “*Can you build endowment in three years or can you build the base?*” Seven foundations have demonstrated that it is possible to build significant new endowment within the foundations within this time-frame, but even this development can be seen as the base from which they will need to build further for longer term financial sustainability.

An overview of the learning

The lessons for community foundations in the UK from *Time for Growth* are throughout this report. The fact that ten foundations have been able to develop this learning together and that there are commonalities in the learning is very important. Ten foundations, from different parts of the UK, operating in different environments, are demonstrating that significant fund development can be done in three years. The comparative experiences of these foundations is critical – it cannot be suggested that what has been achieved is solely the result of a specific environment; it is seen to be the achievement of applying new and different ways of thinking and working which has a general applicability across the whole of the network.

All of them would note, however, that three years is a short time span. Because so much of the process, to be effective, is about relationship building, it has been tough achieving this amount in this space of time. The foundations that have not yet achieved their £2 million target have achieved their own successes, and should be seen as foundations on the route to achievement. All of the foundations will continue to build on the base established through *Time for Growth*. The future multiplier effect of the £1 million investment will be significant – as in time, grants will be distributed by the ten foundations which will more than equate to this investment.

Being strategic

The key change factors detailed elsewhere in this report are key learning. What seems to be important is not the specific activities alone that are undertaken, but how these are part of a clear strategic direction which includes changes in focus in the organisation and changes in organisational culture. This cultural change encompasses both the way the Board views its role and commitment and also how skills are developed in staff. Increased holistic understanding of what we mean by fund development and why it is important is a key shift. The whole organisation, both Board and staff, need to own the agenda for fund development. Without this progress will not be as strategic or successful. Additionally, the willingness of Board members to become actively engaged in fund development is a marked success point for the *Time for Growth* foundations.

Board development

There is still a lot of work to be undertaken on Board development generally in the UK, not just in community foundations. Ensuring that Boards have on them the range of key skills and contacts is important (including marketing, high level financial and investment skills, knowledge of and contacts with the actual and potential donor communities, both individuals and businesses). Of similar importance is ensuring that Boards receive appropriate 'training' in community foundation issues. The word training has been put in inverted commas, as more than one *Time for Growth* foundation noted that Board members do not like being 'trained'. Many, if not most, community foundation Board members are highly accomplished in their own fields and do not take easily to the type of Board training that is common in the voluntary sector. Several recommended that 'training' must be more in the nature of high level business type seminars, led by highly experienced or high profile Board members themselves. It was also commented that these should take place in high quality venues. Boards should also be encouraged to undertake regular Board performance reviews. In addition, away days, particularly for forward planning, should be held regularly. Board issues should certainly be covered by any standards which may be developed for community foundations.

Donor service focus

Focusing on the provision of a broad range of support and services to donors to help them in their giving, is certainly an important learning issue. As a number of the foundations noted, the requirements of many government funding schemes – which have built a significant track record in grant making for community foundations – has often distracted both staff and boards from the need to think about a different approach to supporting donors. There is a tension for foundations – management fees, particularly for government funding streams, provide core earned income. However, none of this income can be allocated to fund development. Securing unrestricted funds for fund development and the development of donor services is difficult until a particular stage in endowment and other independent earned income sources is achieved. However, one of the key lessons from *Time for Growth* is that dedicated resources (human and financial) are needed within foundations which are dedicated to fund development. There is also a need to ensure that, as far as possible, Chief Executives form part of this resource. Again, the benchmarking report noted that the mean for the proportion of Chief Executives' time on fund development is 50%, with a range from 20% to 65%. *Time for Growth* foundations will be at the high end of that range and certainly greater than the mean. The success of *Time for Growth* has set a group of

foundations towards this independence, where this balance can be attained. There are however a number of other foundations in the network who will struggle to achieve this balance without access to core funds to enable fund development and a more sustained focus on developing a donor service oriented approach.

Professionalism

Community foundations have to position themselves as the professionals in local philanthropy development. This also means that they have to develop a culture of professionalism. There is an important role in relation to leadership in local philanthropy that these ten foundations have indicated. What is also clear from *Time for Growth* is that these foundations see themselves at an interface between the business sector and the voluntary sector. They have to embrace two different constituencies with different value bases. As one foundation very aptly put it: *“There is a need to relate ‘the people who want to do good’ to the increasing empowerment agenda of the voluntary sector. This can be very difficult”*.

Communicating the message

Community foundations in the UK have a unique selling point, but too often this is not harnessed to the messages given to potential donors. Marketing and developing an appropriate communications strategy is all important. Resources invested in marketing, using market segmentation and a researched and focused approach to key donors pays off. Tailoring the messages to the individual donor is also all important – blanket approaches are far less successful. Foundations do not need to undertake wide PR – what is important is that they are known and respected for their donor services by those who need to know. PR is important for grants – but not necessarily for fund development. However, one of the key USPs is the link between grants and fund development – enabling potential donors to see on the ground what can be achieved is critical as is ensuring that donors know how their money is being used. The linkage through systems of grant making and donor support is very important. Providing good feedback to donors is key – and again, the *Time for Growth* foundations in developing systems and processes to ensure this have moved ahead of the benchmarks which were identified in 2004.

“Making the ask”

Being aware of the USP and developing marketing strategies and tools is clearly valuable, but most important is “making the ask”. All of the successful activities that the *Time for Growth* foundations were involved in lead to one point – securing a commitment from the donor. It is clear that personal contact is crucial, and that good research on the donor and an understanding of their “drivers” is critical. But none of this is worthwhile if there is a reluctance to actually ask for the investment. One foundation provided a useful simple guide:

How to do it:

- fully research the donor before making the approach
- avoid asking for money when setting up the meeting
- don’t let one person make the approach on their own
- avoid Trustees making the approach without staff support
- tailor the presentation and be prepared to meet the donor’s needs
- ask confidently for big sums – more than you want/think you will get
- agree when and how to follow up for a decision.

Shift from fundraising to fund development

One issue that was noted is the importance of distinguishing between community foundations and other charities in a local area. This again relates to the messages that the foundations have learned to give – that giving is through, rather than to, a community foundation. This is a fundamental difference which needs to be communicated more widely. It also shifts the agenda from fundraising to fund development.

Changing the national environment

There does still remain an issue about the national profile of community foundations and how far there is a general understanding in key communities (people of high net worth, professional advisers, major companies) of the nature of community foundations. A number of the foundations noted that a higher national profile would be useful. Added to this are the points which the foundations have made about the general environment in the UK for giving. Wider and deeper fiscal benefits for endowment donors would, it is felt, attract more endowment development.

Doing it differently

Would any of them have done things differently if they were starting again and of these, are there any lessons for other community foundations? All of the foundations have clearly over the past three years used internal review and the evaluation to rethink and reflect on what they do and how they do it. Some of the reflections shown on the next page provide some useful pointers for other foundations.

John Siciliano, from the California Community Foundation, spoke at a *Time for Growth* seminar in 2003. His key words for the foundations were: Time + Attention = Results. What the *Time for Growth* foundations have demonstrated and their message for the wider movement in the UK, is the truth of these words.

Doing it differently – reflections

Culture

- Embed donor services culture early on, across all staff.
- Be strategic but be flexible – create opportunities.
- Focus.
- Remember that it is all about “making the ask”.

Board

- Get Trustees on board from the outset – get a step change of “affluence and influence”.
- Involve the Board in strategic planning from the outset.
- Get the Chair’s active involvement in fund development.
- Get the whole Board engaged in real fund development.

Marketing

- Learn more about marketing.
- Be donor focused and remember that people give to people – the cause is subsidiary.
- Be more systematic from the outset in identification and targeting of potential donors.
- Focus on existing donors, as good prospects for continued giving.
- Concentrate more on PR and communications but don’t worry about general profile raising.
- Be sure that people who are talking to potential donors know what they are talking about.

Making the Ask

- Have the confidence to ask for larger sums of money from donors.

Staff

- If you are recruiting new staff, take time and make sure you make the right appointment.

Systems

- Invest more in systems development early on.

10.

The long term legacy from *Time for Growth*

This chapter discusses the long term legacy of *Time for Growth*, not only for the foundations involved but also for the wider community foundation network in the UK.

Significant learning development

For the ten foundations, there has been significant learning, including learning about what does not work for them. This learning has been around positioning, changes needed in the culture of the organisation to make a significant move towards serious fund development and an understanding of new techniques and the application of new skills. Evaluating the performance of the ten foundations over three years, it has been possible to see the shifts which have occurred over that time. Even those foundations which did not achieve the target within the period have exhibited shifts in their learning – and this is a key legacy from the programme.

New directions for the future

In terms of the use of the *Time for Growth* funds, it is also clear that being able to take some risks as a result of the core funding provided has meant that new directions can be taken for the future. The fact that the Boards of a number of the foundations have shown their commitment to fund development and finding the resources to ensure that fund development is the core of their business is testament to that. There is no evidence from any of the foundations that they will neglect this area of their work as a result of the end of *Time for Growth*.

Institutionalisation of change

It is hoped that this change is thoroughly institutionalised. There will be risks that as key personnel move on (Chief Executives, Chairs and key Board members and staff) that there could be a loss of some of this learning. However, in most cases it is judged that the changes are robust and the growth of the foundations will continue. The investment that has been made in systems and processes, though, suggests that good practice, particularly in developing donor services, will remain.

Building a body of good practice

The sharing of the learning with the rest of the network will also ensure that the institutionalisation of good practice will continue and the work accomplished during *Time for Growth* can form benchmarks for other foundations and also contribute towards standards setting and the further development of good practice. This is one of the key strengths of the way in which this programme was developed and funded.

It is unlikely that core cost grants to a more random selection of foundations, without the programme's specific links, could have led to the development of this body of practice and the sharing of it more widely with foundations which were not a direct part of the programme. There will therefore be a reinforcement of the legacy in the individual foundations through that "feedback loop" which is the role of Community Foundation Network.

Efficient use of funds

On the whole, the awards were well used. There were some initial glitches, where unsuccessful appointments were made. However, it does appear that the foundations have learned from this – mistakes often provide the best learning opportunities.

Sustainability

What is clear from the responses on sustainability is that *Time for Growth* has allowed the ten community foundations to consider how the growth required to meet the target for endowment can be sustained in the future. All of the foundations are considering the longer term, and all are looking at how changes in their organisations specifically because of *Time of Growth* can be built on for the future. It could be suggested that needing to be innovative and visionary in building new endowment has also encouraged the foundations to think in innovatory ways about sustainability. Increased integration of grants and fund development functions, the commitment of Boards and putting endowment building centrally on the Board agenda, increasing opportunities for funding towards core costs (for instance in Fermanagh with their building project) are all important in ensuring that the developments from *Time for Growth* will be continued.

As one foundation notes: "Time for Growth support helped us attain a measure of independence... We are now supporting our operations without external grant support – i.e. from contract fees and endowment income. The significance of this is that it gives us a degree of autonomy and independence and a freedom to act without tailoring our priorities to those of other funders. If all government contracts were to end tomorrow we would be reduced to a small central nucleus – but we would still be able to keep that core going. That sense of having reached a point where we can genuinely feel permanent is really gratifying."

Only one of the community foundations specifically noted that they are some way from covering core costs through self-generated income, but it should be noted that there is an ambivalence in some responses to this question, as some responses clearly include as coverage of core costs the fees from government contracts. This income is self-generated, however, and it is therefore valid to include it. Whilst some have now moved away from needing grants to assist with core costs, there are a couple who will continue to need grant support for the next couple of years.

All the rest are confidently moving towards this position through a combination of income streams, from managing grants programmes to being able to apply fees and interest from investments. The future of some government funding schemes, which currently provide management fees which contribute significantly to this position, is of course constantly a point of concern.

Some are looking to "friends" schemes and similar to provide support for core costs and which provide a long term basis for fund development. One recognised that it can

meet core costs currently at a minimum level of staffing but still needs ongoing core costs support to maintain the development capacity. This is a significant shift from the position at the start of *Time for Growth* and if the development momentum is sustained by these foundations, there is a good possibility that within the next three to five years, this group of foundations will have sustainability and will be meeting their core costs entirely from self-generated income.

Future endowment growth

Several of the community foundations have already developed their next strategic development plans and others are in the process of this work. County Durham has set a target of £10 million in endowment in the next two years; Essex plans to reach £11 million by 2008; Derbyshire aims to at least doubling its assets in next five years. Scotland now aims for £20 million in endowment in six years, plus at least an additional £2 million flow through.

Adding to the funds of the community foundation movement in the UK

The ten foundations have already added nearly £20 million to the accumulated assets of the community foundation movement in the UK and the four foundations noted above alone aim to achieve over £45 million in endowment over the next six years. Developing growth in other foundations within the movement, stimulated by the achievements of *Time for Growth*, will ensure its position as a very significant player in philanthropy in the UK.

Other new initiatives

Others report useful initiatives, including a 'Sponsor of the Year' initiative, from which they have already secured sponsors for 2005 and 2006 and are in discussion with a company to be the sponsor for 2007; one – Cumbria – was positioned as a result of its work through *Time for Growth* to be able to launch an appeal for funds following the Carlisle floods in early 2005 and this raised over £540,000 in just two weeks. They had successfully raised funds during the Foot and Mouth Disease epidemic before the start of *Time for Growth*, but now note that *"we now have a much better idea of how to translate that emergency response donation support into longer term support"*.

Flowing funds back into the community

At a future stage, it may be possible to estimate how long it will take for the ten foundations to reach an aggregate of giving from their own endowments which will match the £1 million given in grants through Community Foundation Network. If the growth rate started through *Time for Growth* continues, the £1 million could be recycled via grants into local communities within the next five years. This is an additional bonus from this investment. Even without this future growth, the foundations have increased their capacity significantly in terms of grant making funds which are now available to their communities.

Embedding donor services

This continued growth will be assured through these foundations embedding the donor services culture in their organisations and in breaking further new ground in fund development. It will also be assured by their increasing professionalism. There is likely to be more focus on themed and other restricted funds, as *Time for Growth* has demonstrated the appeal of these types of products to donors. This does however raise an issue about donor education and the community foundation role in more

innovative and strategic grant making, which will often require more access to unrestricted funds, which foundations can use to develop a social justice grant making agenda. Balancing the donor services priority with other strategic objectives will continue to be a test for these foundations, as for others.

As one of the foundations said: *“Because of the nature of endowment fundraising it can take a substantial period of time before approaches bear fruit, and we hope that fundraising activity initiated during Time for Growth will result in increased endowment for years to come. We believe that by the end of the three-year Time for Growth period the community foundation has learned an immeasurable amount, and moved on to become a significantly different type of organisation. Without the Esmée Fairbairn funding, we believe this would not have been possible, and we remain extremely grateful for their support”.*

And, as another commented: *“Time for Growth has done just that – it has given (the foundation) more time to grow and develop and to build those longer term streams of income that will make it truly self-sustaining”.*

The value of core funding

All of the foundations identified that the core funding provided stability for the foundation for the three years of the programme and therefore reduced the pressures on them of constantly seeking costs to underpin development. Without this support, the fund development objectives could not have been achieved, in the opinion of all the foundations. As one foundation noted: *“Time for Growth enabled the foundation to concentrate on endowment building (rather than doing everything and then endowment building on the side)”.*

The core costs support also demonstrated to Boards the importance of investment in fund development. Several of the foundations will continue to employ focused fund development staff after the end of *Time for Growth*. For one foundation, the Board has accepted the under-writing of these costs from reserves, without grant support. This is a key step forward and would probably not have been possible without the core grant support enabling these foundations to demonstrate what could be achieved if resources were dedicated to fund development, either by new fund development staff being appointed or by the use of the funds to free the Chief Executive from other responsibilities to focus on fund development. Each of the foundations took a different approach to the use of the funds, but all aimed to focus the Chief Executive's role and time on fund development. As one foundation said: *“I can confidently say that the injection of £100,000 into the core costs of the organisation has had an impact far greater than its monetary value”.*

11.

Challenge programme process

This chapter looks at whether there are any key points about the process that was used for *Time for Growth*, in the set up, the awards process and the monitoring and evaluation.

Core costs, or another way?

In the final year of the evaluation, the foundations were asked if a different means of funding have been helpful – for instance funds on a cash reward base depending on the amount of new endowment raised, instead of core costs. Only two foundations felt this would have been useful – one commented that it would have been useful if it was endowment based, but would have needed to be £100,000 plus. The other noted that it could have been useful on the traditional basis of 1:1 or 1:2 where the donor does a matching at a £1 for £1 equivalent or similar, or *“as a straightforward amount of money, say £200,000 (either in one lump sum on reaching £2 million or with half at the £1 million stage. This could have been used to set up an Esmée Fairbairn Fund in each foundation”*. One of these foundations achieved the £2 million within the time frame – the other is not quite there.

However, the other eight all responded no. They saw the core costs as vital in being able to achieve the endowment target. The core costs issues is critical and a number of the foundations noted that core costs are the hardest costs to raise and without the investment up front, to enable new development focused staff to be recruited or freeing Chief Executive to focus on fund development, it would have been impossible to undertake the task. This investment in core costs has clearly been a key investment – as most of the foundations are now heading towards sustainability on core costs and will be freed from the need to raise money from external grants in future for these essential costs.

One of the Independent Advisory Panel members noted that the investment approach had been a good one and significantly better than giving money for re-granting, as it has built assets which will in the future provide more than the £1 million original investment in grants to voluntary and community based groups in ten areas of the UK.

The awards process

The grant awards process, as noted in chapter three of this report, was intended to ensure that all the applying foundations had considered the development process for endowment building, by requiring the submission of a development plan. Other criteria

were also intended to ensure full commitment from the Board towards fund development. Each development plan submitted reflected the different circumstances which faced each foundation. A point was made during the first year of the evaluation by some of the unsuccessful applicant foundations that there was no standard template for the development plan and therefore *"like may not have been compared with like"*. However, as support and guidance was available from Community Foundation Network in the development plan process, and clear guidelines were given as to what areas should be covered in the plan, it is felt that this is a minor point.

The key issue is that each foundation could reflect its aspirations and identify methodologies which would be appropriate to its own area in their bids. The advisory role to the Independent Advisory Panel of the then Director of Community Foundation Network also meant that the specific local circumstances of the applicant foundations could be noted.

Panel members, on reflection, do suggest that the Independent Advisory Panel could have been tougher in the selection process. It had originally been thought that there might be more than one round of bidding and selection, but in the event, it was decided to use only one round, and to allocate all of the available funds at that time. Two rounds might have enabled more stringency on the part of the Independent Advisory Panel – but this is hindsight. It had also been thought that only 13 foundations would be eligible; in the event, the number of applicants was 20, which made the Independent Advisory Panel's task harder. Overall, however, the process was appropriate for the task and as far as possible, a level playing field was achieved for the applicant foundations.

It is clear that there are difficulties for an organisation to play the mix of roles of an infrastructure network and also be both the applicant for the grant to the Esmée Fairbairn Foundation and be responsible for developing the process for the distribution of the grant.

The separation of roles on the part of Community Foundation Network during the grant making process may not have been as clear to the applicant organisations as it should have been, and some Panel members and Community Foundation Network have commented that some discomfort could have been created in the network by what could be seen as a divisive process. However, it is felt now that *Time for Growth* has added overall to the strengths of the network, particularly through learning dissemination, and any problems there may have been at the outset have largely been overcome. This is an issue that needs to be considered by membership organisations that put themselves in the position of becoming funders to their members.

Other points on the awards process which were raised by Panel members included the short time frame, and that with hindsight a four year programme would have been better, to build a firmer base for relationship developments. It was commented that to meet the £2 million target, some of the foundations may have gone for "quick wins". This does not, however, undermine the firm relationships that are being developed, which will be built on for the future.

Monitoring and evaluation

What has clearly been valuable, and was noted by a number of the respondents, has been the role of the original awarding Panel in continuing to monitor and provide support to the ten foundations. The continuities in the Independent Advisory Panel and their developing understanding of the way in which each foundation was applying the awards and growing their skills has been valued. The monitoring, and the demands of the evaluation, have on occasions been seen by some of the foundations as a distraction from their main work. There is a general issue, which has arisen on occasions with the *Time for Growth* foundations, about the way in which voluntary sector organisations in the UK view monitoring and evaluation – as an external inconvenience, rather than seeing these tools as valuable in review and learning. It is hoped that the processes incorporated into *Time for Growth* have enabled the ten foundations to put regular review and evaluation of their processes and practices more firmly on their agendas.

There were some issues, noted by Community Foundation Network, about the need to revise the monitoring forms after the first round of monitoring, to ensure clarity about the information that was required. It was not an easy process, monitoring endowment growth, as there was the need for very clear definitions about different kinds of funds and processes. However, this experience has been valuable for Community Foundation Network in general in reviewing overall data collection.

What would the Independent Advisory Panel have done differently with hindsight?

A number of points were raised by Panel members as to what they would have done differently. These included being clearer about the role of the Independent Advisory Panel from the beginning, and also getting more clarity as to the role of Community Foundation Network in the process, as noted elsewhere in this chapter. It was felt that the role of the Independent Advisory Panel as the “critical friend” was not always understood and that there was some touchiness from some of the foundations about the challenges they faced from the Independent Advisory Panel at the annual reviews. But overall, the view was that the process worked.

Building on the learning

Through Community Foundation Network, learning from the *Time for Growth* foundations has been disseminated, both amongst the ten foundations themselves, and more widely. The dissemination of this learning through the network through various events, including Community Foundation Network conferences in 2003 and 2005, has demonstrated the added value of using the Network as the vehicle for this investment. It can be suggested that the achievement of such a wide range of outcomes, as this evaluation demonstrates, could not have been achieved through single grant awards to individual community foundations.

12.

Views of the Independent Advisory Panel, Esmée Fairbairn Foundation, and Community Foundation Network

This final chapter looks at *Time for Growth* from the perspective of the Independent Advisory Panel, Esmée Fairbairn Foundation and Community Foundation Network.

How the Independent Advisory Panel views Time for Growth

As noted in other parts of this report, members of the Independent Advisory Panel were closely connected with the progress of *Time for Growth* throughout the programme. Overall, the Independent Advisory Panel members interviewed feel that both the multiplier effect of the £1 million into nearly £20 million and the way in which this challenge has focused the ten foundations on the development of local philanthropy have been very significant achievements. As one noted: *“These community foundations now have an asset development mind-set”*.

Significant events for Panel members include Derbyshire’s achievement, where the challenger had set up an almost impossible task – all the money to match the £1 million he had put up as the challenge had to be received by the foundation by the required date (no pledges allowed); the donor was anonymous, and therefore his status could not be used; and it was set up in such a way as to almost invite failure – but they did it. The Scottish Community Foundation’s turnaround was also seen as a star performance, really shifting in their approach to development and surviving the risk of lack of continuity with changes of Directors. Fermanagh’s success, which was seen as a long shot, was also seen as very gratifying – as one Panel member put it: *“We behaved in a counter-intuitive fashion in making this award – and it paid off”*.

The experience was seen in the main as a positive one, particularly the opportunity to interview the foundations on an annual basis. As one panel member noted: *“It brought us into direct contact with the tenacious people who are running community foundations”*. It was seen by one panel member as a different kind of monitoring approach, to be able to challenge assumptions being made by the foundations, to get behind the written report and also to pick up learning points and give objective feedback. The different experience of the Independent Advisory Panel members was

also seen as a strength – with Dorothy Reynolds as Chair bringing in her extensive international experience. The Independent Advisory Panel was seen as working well together.

How does Esmée Fairbairn Foundation view the programme?

At the end, the £1 million investment had the multiplier effect that was hoped for when the grant was made to Community Foundation Network. In the five years since the grant was first discussed, Esmée Fairbairn Foundation has become a more focused and specialist funder, making grants in four programme areas, including Social Change: Enterprise and Independence. It continues to have an interest in the promotion of philanthropy and believes that the findings and learning will be of interest not only to the UK network of community foundations, but also to other charities interested in endowment building. Esmée Fairbairn Foundation has also learned a great deal about approaches in relation to the establishment of proactive bidding programmes and the added value an Independent Advisory Panel can bring.

How has Community Foundation Network viewed the programme?

For Community Foundation Network (CFN), this was a seminal programme and of great significance for the development of community foundations in the UK. The learning that has been achieved is not just for these ten foundations, but for the wider network in the UK. The evidence, not just the theory, about fund development and endowment building in the UK has been gained. This is also due to the foresight of the Calouste Gulbenkian Foundation in providing funds for the evaluation to be carried out for the full three years of the programme and not just for a final year evaluation. This has meant that the learning and evidence have been gathered and disseminated throughout and have therefore been applied as the programme has progressed. This has been of great value.

The roles undertaken by both Esmée Fairbairn Foundation and the Independent Advisory Panel have been significantly valued by Community Foundation Network – as CFN itself was experiencing changes during the time of the programme. Dorothy Reynolds, as Chair of the Panel, not only ensured that the Panel provided constructive criticism during their monitoring sessions, but also personally visited a number of the community foundations during *Time for Growth*. These visits provided an opportunity for individual consultations and were much valued, both by Community Foundation Network and the foundations concerned. Throughout the programme, oversight was maintained by the CFN Board.

The programme has also fitted with Community Foundation Network's emerging role as a broker of opportunities for the network of UK community foundations. The partnership between Esmée Fairbairn Foundation and Community Foundation Network enabled a clustered grant to be applied within the network, which has clearly achieved significantly more than single grants to community foundations could have achieved. It is also unlikely that any one funder would have provided such a significant grant overall without the experience of Community Foundation Network to ensure that the grant could be effectively deployed and monitored.

There were some problems for Community Foundation Network in this process, however, in finding an appropriate role, being supportive, but balancing this with a compliance role where concerns had been raised by the panel on the progress of

individual foundations. In retrospect, there could have been greater clarity about the independence of the Panel in making the grant decisions and on their subsequent role in monitoring and ensuring compliance with the terms and conditions of the grant awards. Community Foundation Network therefore had difficult relationships with some of the ten community foundations that didn't get the grant; however, as work undertaken in the evaluation showed, a number of these, whilst disappointed, felt that the awards process had helped them rethink the positioning of their community foundations.

In addition, Community Foundation Network played a slightly different role in the programme from that originally envisaged. Senior staff changes and lower funding than expected (from the investment returns on the £1 million grant paid up front) changed both the oversight of the programme and the structure of training and learning during the programme. Given the staff changes that took place, and the positive role played by the Independent Advisory Panel, oversight of progress by the ten community foundations found a natural home in the six-monthly progress report reviews conducted by the panel, and in the annual interviews the Independent Advisory Panel undertook. With regard to the shortfall in *Time for Growth* income earned by CFN, funds for the establishment of comprehensive and sophisticated training programmes were limited, and participating community foundations tended to prefer opportunities to network and learn from one another (with a few exceptions). As mentioned earlier in the report, findings were shared with other community foundations at Network meetings and conferences. In retrospect, this peer led learning ensured the programme was an instigator of a wide variety of approaches to fund development.

The experience of *Time for Growth* shows that support to community foundations undergoing a similar programme elsewhere could benefit from a rich mix of different types of interventions including strategic learning, Board review and development, support for the change management process, more technical training inputs (such as marketing), peer learning and experience exchanges, and so forth. In addition, support would be needed for appropriate financial systems to ensure close monitoring of individual community foundation progress.

Quite rightly, this report has focused on the fund development achieved within the short term set at the outset of the programme. However, a number of participants claim (as of June 2005) that the momentum generated has secured additional, actual and potential donor funds that push the total closer to £25 million. This is significant as it hints at the wider and more profound impact of the programme, something that Community Foundation Network will be monitoring with interest in the future.

Overall, was the programme a success, seen from the perspective of Community Foundation Network? Undoubtedly: the longer-term sustainability of ten community foundations is significant and increases the number of community foundations in the UK who have achieved or are moving towards sustainability. Community Foundation Network has gathered important evidence about what makes for successful endowment development and the accumulated learning from *Time for Growth* and its wider dissemination throughout the network can only strengthen the community foundation movement in the UK over many years to come.

Appendix I: Glossary of terms

Glossary of terms	
agency endowments	A fund managed by a community foundation on behalf of another voluntary organisation. The community foundation invests the fund and periodically returns investment income to the organisation or reinvests the proceeds. The community foundation receives a fee for its management and investment services. This specific kind of fund is common in North America, but is not currently an option in England and Wales.
charitable trusts	A legal organisation that can be set up by anyone who wants to set aside some of their assets or income for charitable causes.
community foundation	Community foundations are charitable trusts working to strengthen local communities. They provide a unique channel for donors of all kinds to fund communities on a lasting basis by managing donor funds and building endowment. From these funds they make grants to charities and community groups.
diaspora community	Dispersed members of a specific community who maintain the ties to their culture and homeland and may wish to recognise this in their charitable giving.
DIGITS	Customised software specifically for community foundations, integrating all the processes of managing contacts, grants, donations and funds into a common database. Its development has been heavily subsidised by Community Foundation Network.
donor advised funds	A fund held by a community foundation where the donor or their representatives may recommend eligible projects and organisations for grants from the fund, for final ratification by the community foundation's governing body.
donor services	A series of interventions (in this case by a community foundation) to help a donor with their giving: for example, the provision of grant-making know-how, reporting on fund activity, opportunities to engage with the community, etc. A donor service focus involves ensuring donors' charitable wishes are met effectively and efficiently by providing recognition, accountability and good stewardship.
dormant trusts	A trust that is no longer active. In certain circumstances, small, dormant or defunct trusts can be transferred to other trusts (such as community foundations). Examples of suitable funds for transfer include those where all the present Trustees wish to retire; the original main object of the trust has become obsolete; the trust fund is too small to justify separate administration. For example, an ancient trust for the relief of the poor of the parish can be unlocked and put to more appropriate local and general use.
endowment	Financial assets (ie land, buildings, investments or cash) used to create a fund within a community foundation to provide investment income which is used for charitable purposes. It means that gifts made through a community foundation are available in perpetuity.
flow through funding	Funds distributed annually from revenue – not from endowment. Community foundations can manage these funds on behalf of donors who may come from all sectors – public, business, charitable trusts or individuals.
fund development	The active establishment of funds at a community foundation, through the cultivation of different kinds of donors and offering of effective donor services. It requires a long term strategic focus and the building of long term relationships with actual and potential donors.
funds at a community foundation	A community foundation has the ability to establish a variety of types of funds, depending on donor wishes. They can be for endowment or flow through funding; restricted or unrestricted; named (<i>see below</i>) or anonymous; general or themed (<i>see below</i>).

grant	Award of funds to an organisation, project or occasionally individuals for a requested purpose
grant making	Process of making grants following set policies and conditions.
high net worth individuals	Individuals who either have an annual income of £100,000 or more, or hold net assets to the value of £250,000 or more.
legacy	A gift or bequest made in a will. A bequest to a community foundation can be used to set up a named fund (<i>see below</i>).
lifetime legacies	<i>See split interest trust.</i> More commonly referred to as lifetime legacies by those pressing for a change in the UK tax system that would enable this form of giving.
named funds	An alternative to setting up an independent charitable trust, offered by community foundations as a service to larger donors (including individuals and companies). A named fund (named after the donor, in memory of a loved one or anonymous) is a ring-fenced fund within the foundation set up to reflect the donor's particular charitable interests (eg area, theme). The donor can choose to be involved in decision-making about beneficiaries; the community foundation handles all administrative and legal requirements in their behalf. Pooled investment means greater cost-effectiveness. Foundations usually stipulate a minimum amount for a named fund – donors can build this amount over a period of years. A management charge is made to cover administration costs.
planned giving	Part of the estate planning for a donor. It goes beyond making provision for legacies to encompass all forms of tax-efficient giving, including the promotion of new specifically designed financial products.
pledge	A financial commitment from a donor who may not at a specific time be able to pass finances over to the foundation, but who can see themselves as being able to do so at a defined future time.
professional advisers	Accountant, solicitor, investment manager or independent financial adviser authorised to advise on investments, pensions etc.
restricted funds	A fund where the donor requests some restrictions on its use – i.e. to cover a specific geographic area or to meet a specific purpose (such as older people, young people or health).
revenue funding	<i>See flow through funding.</i>
split interest trust	Under the US tax system, a gift of assets to a community foundation where the donor retains some private benefit, and where tax on the capital gains can be reduced. At the donor's death, or the end of a fixed term, the assets go to the community foundation.
statutory	In this context refers to funds set up by statutory bodies – local or national government, health authorities etc – with the grant making process managed by community foundations.
tax efficient giving	Giving in a way that ensures both the receiving charity and the donor can reclaim any benefits to which they are entitled.
themed funds	A fund set up by the foundation with many donors to a specific cause such as children, women.
underspend	Unallocated funds at end of financial year.
USP	Unique selling point.
voluntary sector	Alternative name for third sector – generic collective name for charity, voluntary, non-government and campaigning organisations – specifically those with unpaid governing body.

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